

# The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF



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Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, etc., will be welcomed from the profession.

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## CORPORATION OF DURBAN, NATAL.

### POSITION OF ASSISTANT TOWN TREASURER.

The Corporation of Durban, South Africa, invites applications for the Position of Assistant Town Treasurer.

Candidates must be under 35 years of age.

Salary commencing £750 per annum, rising to £950 by annual increments of £20.

The appointment is subject to the Corporation's Service and Leave Regulations.

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## Professional Notes.

MR. ADAM MATTLAND, M.P., who was returned to Parliament on January 26th at a by-election for the Faversham Division of Kent, is a member of the Society of Incorporated Accountants and Auditors. He passed his Final examination in June, 1910, and was placed first in the honours list.

In the last issued list of honours a knighthood was announced to be conferred on Mr. Shapoorjee Bomanjee Billimoria. Sir Shapoorjee Billimoria is the senior partner in the firm of S. B. Billimoria & Co., Accountants, Bombay, two of the partners being Incorporated Accountants.

There will be found in this issue the syllabus of lectures and discussions of the Incorporated Accountants' Students' Society of London for the Spring session of 1928. The opening meeting is to be held on Wednesday, February 15th, when Mr. Archibald Crawford, K.C., will deliver an address on "The Truth about Industry."

A Committee has been appointed by the Chancellor of the Exchequer to prepare a draft of a Bill or Bills to codify the law relating to Income Tax. The terms of reference to the Committee are "to prepare a draft of a Bill or Bills to codify the law relating to income tax, with the special aim of making the law as intelligible to the taxpayer as the nature of the legislation admits, and with power for that purpose to suggest any alterations which, while leaving substantially unaffected the liability of the taxpayer, the general system of administration, and the powers and duties of the various authorities concerned therein, would promote uniformity and simplicity." Although strong representations were made to the Chancellor of the Exchequer by the Association of Chambers of Commerce and other bodies, no representative of commerce or accountancy has been accorded a seat on the Committee.

In addressing the 25th annual meeting of the Society of Incorporated Accountants in Ireland the President, Mr. A. H. Walkey, F.S.A.A., referred to the loss of the Registered Accountants' Bill in the Senate of the Oireachtas, where the motion to refer the Bill to a Select Committee was rejected by 18 votes to 15. While, he said, the result was disappointing, the loss of the Bill had its consolations, as a Register would have resulted in no personal advantages for existing Chartered and

Incorporated Accountants. So far as the Society is concerned, Mr. Walkey is of opinion that it is quite free to pursue its progressive policy, and, as duties and responsibilities increase, to keep pace with the requirements of the time by evolving a more intensive training which will equip the students to meet the changing conditions.

The Chief Registrar of Friendly Societies, in his Report for the year 1926, draws attention to the unsatisfactory character of the rules commonly adopted by Industrial and Provident societies in regard to the appointment of auditors. The rules, he says, usually provide either that the auditor shall be appointed by the committee of management, or that the committee shall have power to appoint an auditor if the preceding general meeting has failed to do so. The Registrar considers that as the auditor's report generally amounts to a criticism of the officials, it is desirable that the appointment or removal of an auditor should in all cases be under the immediate control of the members. In order to give effect to this principle the rules issued by the department have been altered to provide that the auditor shall be elected and may be removed by general meeting, and shall not hold any other office in connection with the society. Casual vacancies may be filled by the committee, but must be submitted for confirmation at the next general meeting. In another column will be found some extracts from the Registrar's report which show the necessity for an effective and independent audit.

The Bankruptcy Report for the year 1926, which is now available, shows that there has been a small decrease of insolvency both as regards Bankruptcy and Deeds of Arrangement. The number of bankruptcy cases has fallen from 4,708 in 1925 to 4,239 in 1926, while the deeds of arrangement have fallen from 1,877 in 1925 to 1,763 in 1926. The estimated liabilities in bankruptcy cases are about £1,000,000 less, and under deeds of arrangement about £220,000 less than the preceding year. In Scotland the sequestrations number 199, against 248 in 1925, while the liabilities have fallen about £5,000. For a number of years there has not been any great fluctuation in the volume of insolvency, but the general tendency has been to decrease.

In a comparison of the results of estates wound up by Official Receivers and non-official trustees an endeavour is made to show that the costs of administration of the former are less than those of the latter. This is somewhat futile in view

of the fact that the Bankruptcy Department is really working at a heavy loss. There is an actual deficiency of £14,756 shown on the account for the year 1927, to which must be added £49,000 taken credit for in respect of dividends on funds invested under sect. 90 of the Bankruptcy Act, 1914. These dividends are derived partly from balances standing to the credit of estates wound up by Official Receivers and partly from balances belonging to estates wound up by non-official trustees. In either event the dividends are gratuitous income to the department. For the purpose of comparison, therefore, an amount of over £60,000 should be added to the cost of the estates wound up by Official Receivers, which would obviously produce a very different result. It is quite unfair to compare the results of a department which is working at a heavy loss with the work of non-official trustees who must necessarily make ends meet.

A curious case (*Dewe v. Dewe*) arising out of bankruptcy proceedings came before the Court the other day. Some years ago the bankrupt under a separation order had agreed to pay his wife a weekly allowance, and in the bankruptcy the wife proved for the capitalised value of this allowance. The claim was admitted and she was paid a dividend of 6d. in the £. After the discharge of the bankrupt the wife claimed for maintenance, but was met by the defence that the bankrupt had discharged his whole liability under the separation deed and that no further claim could be maintained. Mr. Justice Bateson, in a considered judgment, held that an agreement for maintenance suspends the common law right of the wife, but does not annul it. It therefore followed that after the bankruptcy of the husband there ceased to be in existence any agreement by him providing for the discharge of his common law obligation or capable of being set up in answer to the wife's claim thereunder. Whether the wife proved in the bankruptcy or not, the husband's liability under the deed disappeared when he became bankrupt. In other words, the bankruptcy annulled the separation deed, and revived the common law right which had been suspended thereby.

The Committee appointed by the Chancellor of the Exchequer to consider the desirability of permitting a further extension of municipal savings banks have reported against the general establishment of such banks in this country. The main conclusions of the Committee are that, although these banks might provide some additional incentive to thrift, the proportion of new savings would be small, and that the general establishment of such banks within the



next ten years would cause serious embarrassment to national finance during a difficult period. The Committee think that these banks might also tend to increase municipal expenditure and would involve banking risks which might react unfavourably on municipal finance. The main argument put forward before the Committee in favour of municipal savings banks was that they would increase thrift, but the view is held in some quarters that the object is as much to obtain money at a lower rate of interest. Which of these is the correct explanation must remain a matter of opinion.

The Ministry of Labour has issued some interesting figures with regard to the amount of unemployment and the decline in the cost of living during recent years. The average annual percentages of unemployment among insured persons have been as follows:—

1921.	1922.	1923.	1924.	1925.	1926.	1927.
17.0	14.3	11.7	10.3	11.3	12.5	9.7

The Ministry explains that the improvement in employment was even greater than indicated by these figures, as the total number of insured persons increased in the course of the six years by 671,000, of which increase 90,000 took place in the twelve months ended July 1927. The percentage-increases in cost of living which are given separately for "food only" and for "all items," are as follows:—

	1920.	1921.	1922.	1923.
Food only	156	129½	76	69
All items	149	126	83	74
	1924.	1925.	1926.	1927.
Food only	70	71	64	60
All items	75	76	72	67½

The fall in the percentage-increases for all items from an average of 149 in 1920 to an average of 67½ in 1927 is equivalent to a fall of 83 per cent. from the level of 1920.

In his Report on Co-operative Societies, the Registrar of Friendly Societies has issued a table showing the volume of operations of the societies engaged in distributive trading from 1916 to 1926, from which it appears that the amount of sales by these societies has risen from £124,000,000 in 1916 to £186,000,000 in 1926. In some of the intermediate years the figures were larger, but probably this was fully accounted for by the higher prices then ruling. The surplus on the year's working in the same period has risen from

£16,500,000 to nearly £21,000,000, which, apart from the boom year of 1920, is the highest figure yet reached. The magnitude of these figures shows that the competition of co-operative societies with private trading enterprise is reaching large proportions.

What is a "statutory tenant" under the Rent Restriction Act? Is a statutory tenant entitled to sub-let? These were the questions answered by the Divisional Court in the case of *Roe v. Russell*. As regards the first, Mr. Justice Shearman said the familiar phrase "statutory tenant" did not mean a tenant who occupied a house at such a rental that it came within the scope of the Rent Restriction Acts, but a tenant who held over after the expiration of the tenancy against the will of the landlord, including anyone who acquired a right under the Acts not to be evicted. Having given this definition, the Court proceeded to decide the main point that arose in the action, namely, whether a statutory tenant had a right to sub-let a portion of the premises occupied by him in a case where the original tenancy agreement contained no covenant against sub-letting. The Court held that there was no such power. Mr. Justice Shearman pointed out that for a long time it was thought that sect. 15 (1) of the Increase of Rent and Mortgage Interest (Restrictions) Act, 1920, conferred such a right, but that belief was put an end to by the decisions in the cases of *Keeves v. Dean* and *Wheeler v. Smith*, the latter an unreported case.

In his speech as Chairman of the Midland Bank last week, Mr. McKenna expressed the view that the real determinant of movements in the general world level of prices is the purchasing power of the dollar. He arrived at this conclusion on two grounds. In the first place, he said, America's stocks of gold are so great that she can afford to lose large quantities without any risk of her gold reserves falling below the legal minimum; in the second place her central banking system is so constituted that, with her great wealth, she can absorb large quantities of gold and at the same time deprive it of its credit creating powers. The only condition he considered under which America might be drained of her gold surplus was that she should continuously make foreign loans beyond her true capacity to lend. The natural deduction from Mr. McKenna's conclusions seems to be that if the dollar controls the world price level the recent increase in the value of the sovereign in relation to the dollar must be at a decided advantage to this country. America evidently cannot control the exchange rates as well as the prices. Her action in relation to the one has probably had its effect upon the other.

The Court of Appeal has affirmed the decision of Mr. Justice Rowlatt in the case of the *Attorney-General v. The Metropolitan Water Board* in which a question arose as to the meaning of the expression "profits or gains brought into charge." The profits of the Metropolitan Water Board are assessable under Rule 3 of No. III of Schedule A by reference to the profits of the year preceding the year of assessment. Consequently, having sustained a loss for the year ended March 31st, 1922, the Board was not liable to assessment for the year 1922/23.

In the following year, however, as the result of the Metropolitan Water Board (Charges) Act, 1921, a profit of over £2,000,000 was made, out of which interest on Water Stock, &c., was paid under deduction of tax. The Inland Revenue Authorities sought to recover the tax so deducted under Rule 21 of the Rules applicable to all schedules on the ground that the interest was not paid out of "profits or gains brought into charge." For the Metropolitan Water Board it was contended that the interest was in fact paid out of the profits of the year 1922/23, and that these profits were profits or gains brought into charge for that year although the statutory method of ascertaining the Board's liability resulted in no tax being payable; in other words, that "profits or gains brought into charge" meant the actual profits and not the statutory profits as maintained by the Inland Revenue Authorities. The Court, however, refused to accept this view, and gave judgment in favour of the Crown.

While it has thus been decided that income tax deducted from interest paid out of profits or gains which will be or are liable to be brought into charge cannot be retained against the Inland Revenue Authorities, it is still open to doubt whether the tax must be handed over where the interest is paid out of the surplus taxed income of previous years. To uphold such a claim the expression "profits or gains brought into charge" must be read as though qualified by the words "for that year," and it appears to be the opinion of at least one of the Judges of the Appeal Court (Mr. Justice Lawrence) that this is the correct interpretation.

In the case of *Parker v. Chapman (Inspector of Taxes)*, a very unfortunate position arose with regard to the income tax liability of the managing director, Mr. Parker. The company had declared a dividend, but it was felt that the payment of the dividend would unduly deplete the cash resources. In order to maintain the company's credit, therefore, Mr. Parker arranged to provide money for the payment of the dividend by taking up further shares and

paying for them, partly in cash and partly by appropriating the dividend to which he was entitled and the commission on sales which was due to him as managing director. This was accordingly done and the shares taken up, the amount of dividend and commission being about £3,700. In these circumstances the managing director contended that the commission having been capitalised, was not assessable, as it had never in fact been paid to him in cash. The shares he received had always been unrealisable and had no present value. Mr. Justice Rowlatt, in giving judgment, admitted that it was a very hard case, but held that the contention could not be maintained. It was impossible to capitalise a debt, because a company could not pay its debts in shares. It was true the debt was capitalised, but it was Mr. Parker who capitalised it. He would have been much better advised, so far as he was personally concerned, if he had waived the debt altogether, but on the facts of the case the only effect was that he must be treated for income tax purposes as having received the money and re-invested it.

Addressing the members of the Commercial Club, Chicago, on the subject of instalment selling, Mr. Reginald McKenna said "there is a good case in argument as well as in experience for giving a man credit to buy goods which are of lasting value, always provided that his credit will be exhausted before the survival value of the article has gone." This would rule out a good many articles which are sold in America on the instalment system, and in the case of others it would raise a very debatable question as to the term of survival. The life of an article depends largely upon the conditions in which it is used and the treatment it receives by the user. In any event Mr. McKenna's definition implies the right to live on the capital of other people as regards goods of lasting value until such goods have been consumed. Whether this would result in a healthy state of trade is open to serious question. Doubtless it appealed more to Mr. McKenna's American audience than it would to an audience of commercial men in this country where the instalment or hire-purchase system is not so advanced.

A share swindle which has been perpetrated in the Straits Settlements has induced the *Penang Gazette* and *Straits Chronicle* to suggest a means of preventing forgeries of share certificates. The proposal is that a law should be passed providing that the colour of each certificate should indicate within certain limits the number of shares which it covers, and that the number and distinctive numbers of the shares and their denomination should be recorded on the certificate by a perforating machine. For instance, it would be enacted that all certificates



covering not more than 100 shares must be printed or engraved on white paper; all certificates from 101 to 250 shares on blue paper; from 251 to 500 on red paper; from 501 to 750 on green paper; from 751 to 1,000 on yellow paper, and so on. A certificate for 750 shares would thus be printed on green paper and the following figures would be perforated, "Capital £100,000, divided into 100,000 Ordinary shares of £1 each—750 shares numbered from 7,001 to 7,750."

Thus the colour of the certificate would indicate that it could not carry more than 750 shares, and the perforated figures would prevent any misrepresentation as to denomination and value. The idea is ingenious, but seems to be open to one or two objections. In the first place it is always possible to substitute a specially prepared certificate of the proper colour and to perforate on it the new numbers which the forger wishes to pass. There is also the difficulty of finding different colours for shares running into large numbers such as 10,000, 20,000, 100,000. It is easy enough up to 1,000 shares, but if the number of colours is multiplied indefinitely they cease to have much protective value. The alternative would be to issue a separate certificate for each 1,000 shares and let the colours distinguish the numbers below that figure. This, however, would be rather cumbersome in cases where there were many large holdings and transfers of big blocks of shares.

## Taxation and Trade.

ONE of the results of the post-war trade depression has been to concentrate attention upon the subject of taxation in this country. It is frequently affirmed in instructed and responsible quarters that Great Britain is being asked to carry a burden of taxation heavier than she can bear, and bitter complaints are heard from the business community of the difficulty or impossibility of competing in foreign markets under the handicap of this burden.

Taxes in a modern state may be divided roughly into two categories—direct and indirect. The former are levied against persons apart from the nature of their callings, *e.g.*, income tax; the latter against commodities, services or trades, *e.g.*, the duty on tea. There is a tendency to-day for direct taxes to increase in proportion to indirect as a state progresses and becomes more democratic, but a notable exception lies in the modern movement towards high duties on imports. In Great Britain the ratio of total direct to total indirect taxes is about 4·8, while of the round £800 millions of the Budget, Income and Super tax alone yield some £300 millions.

Income tax being the most important, it has received the greatest attention in public discussion. It was affirmed by business men appearing as witnesses before the Colwyn Committee on the National Debt and Taxation that income tax was a burden upon industry, inasmuch as it operated to impair competitive power by increasing costs and so forcing up selling prices. This contention is not accepted by economists as a body. They point out that profit is controlled by three factors—money cost of production, quantity sold, and sale price—each of which re-acts upon the other two. Further, that the sale price in any industry normally stands at the highest level permitted by the forces of competition or by the consideration of maximum net revenue for the monopolist producer. Clearly, the prospect of a tax upon any profit that may be made has no direct bearing upon the first of our three factors, money cost of production, this being deemed to be governed by the marginal product, on which there is no profit. Also, the sale price cannot with advantage be raised because, *ex hypothesi*, it already stands at a level which, with its repercussions upon the second factor, quantity sold, produces a maximum net revenue.

Thus, a tax upon profits is borne as well as paid by the receiver of the profits; that is, it cannot normally be transferred to the shoulders of the consumer by additions to the price of goods sold. And this applies to monopoly producers as well as to those subject to competition, for no monopolist, however powerful, can control both price and quantity sold. But although income tax does not operate directly as a burden on industry, it may do so indirectly, for being a deduction from profits, it reduces the reward of the industrialist, and while such a reduction, if slight, might have a bracing influence, inducing greater effort, a heavy one would in most cases exercise a depressing psychological effect, discouraging enterprise and so militating against the fullest use of national capital, decreasing national income and lowering standards of life. Similarly, a tax on interest or dividends ("unearned" income) tends generally to discourage saving and so to aggravate the post-war shortage of capital.

Death duties are complementary to income tax, not only securing what escaped the latter, but taxing also capital values and increments thereof. These duties tend to result in a lower rate of income tax, their incidence cannot be shifted, and they operate as a reduction from a windfall rather than a positive burden on the individual.

Regarding indirect taxes, the chief are customs, excise and stamp duties. Operating as they do as additions to cost of production these taxes are not, as a rule, borne by those who pay them, but are

passed on wholly or in part to consumers by a process of diffusion. This is one of the objections against them, for the process often involves much economic derangement and waste. Also, it may mean that the tax falls upon one having no surplus out of which to meet it, with the result that useful consumption is diminished. But there is much to be said for indirect imposts, inasmuch as they broaden the basis of taxation, are easy to collect, are often paid unconsciously by those ultimately bearing them, and may be used to induce economy or to check socially harmful consumption. But all taxes operating as additions to cost of production tend to be harmful to trade. The turnover tax (a small levy on each sale of goods) imposed in several Continental countries, has been found very burdensome to trade, and has had to be remitted in the case of exports. Other indirect taxes, such as stamp duties, are in actual restraint of trade.

Turning to local taxation levied in the form of rates, e.g., on a factory, we find again a tax operating as an addition to cost of production, and one, moreover, differing in the magnitude of its burden from place to place. Not only this, but the localities least able to bear local taxation are often, on account of widespread distress, called upon to pay more heavily than are prosperous regions. These considerations, coupled with the frequent inequity of the incidence of the tax, its high level, and the unproductive nature of much local expenditure, combine to make local taxation a serious burden on British export trade.

Finally, in considering the effects of taxation on trade, it is not sufficient to study only the nature of the taxes themselves. The purposes for which the revenue is spent are also relevant, and, indeed, of very great importance, for the tax collector merely withdraws so much potential capital annually from the pockets of the taxpayer, and were this put to productive use after being so withdrawn then the nation as a whole might not suffer any great loss. For example, tax revenue devoted to the improvement of defective communications, or to the reclamation of valuable land, is being productively employed, while that utilised to repay internal debt, or to pay dividends upon it, quickly finds its way back into the hands of the business community. But tax revenue sent abroad in payment of foreign debt is lost to the community, as also is that large part of the revenue at present devoted to services not economically productive.

It must be concluded that our present burden of taxation does, in considerable measure, impair our competitive power as a nation in trade, and that alleviation would effect improvement accordingly.

Also, that though it might be feasible to augment still further the load, the harm that would result to the national economy from any substantial increment would outweigh the advantages.

## Shareholders and Irregular Acts of Directors.

ARTICLES usually provide that the directors shall act for the company, and accordingly Articles commonly give directors very wide powers as to control and management of a company's affairs. In general, therefore, the control of the management of a company by general meeting is strictly limited. But when the directors act *ultra vires*, the company in general meeting may exercise certain powers, depending on whether the acts are *ultra vires* the Articles, or *ultra vires* the company.

If the directors act outside their own powers, but *intra vires* the company, the members may ratify and make such act valid, but the ratification of a particular act of the directors in excess of their authority does not authorise them to do similar acts in future (*Irvine v. Union Bank of Australia* (1877) 2 App. Cas., 366). The ratification may be by ordinary resolution, but if the company desires to give the directors powers *in futuro* which are not provided for by the Articles a special resolution is necessary, since this is equivalent to an alteration of the Articles, which requires a special resolution.

If the act is *ultra vires* the company, the members cannot ratify or acquiesce in such act, and it cannot be validated even by the unanimous vote of the whole company (*Browne v. Monmouthshire R. Co.* (1851), 13 Beav., 32). Where directors have acted *ultra vires* it is no defence that the acts in question were done for the benefit of the company, if they knew or ought to have known that such acts were *ultra vires*. If directors purport to make contracts *ultra vires* the company they are personally liable to the persons with whom they have professed to contract on behalf of the company (*Ferguson v. Wilson* (1866) L.R., 2 Ch., 77), following the principle of agency, that if directors who are agents of the company, purport to make contracts for and on behalf of the company they are liable for any breach of warranty of that authority.

Acts *ultra vires* the company include issuing shares at a discount, purchase by the company of its own shares, payment of dividends out of capital. If dividends are paid out of capital, the directors who knowingly take part in the payment are jointly and severally liable. A limited company cannot, except as provided by statute, make a return of



capital. The sanction of a general meeting can give no validity to such a proceeding, and even the sanction of every shareholder cannot bring within the powers of the company an act which is not within its powers. Each of the above acts would be illegal reductions of capital, and capital cannot ordinarily be reduced without the consent of the Court.

In *re George Newman & Co.* (1895), 1 Ch., 674 it was held that directors cannot pay themselves for their services, or make presents to themselves out of the company's assets, unless authorised so to do by the Articles, or by the shareholders at a properly convened meeting. The shareholders, at a meeting duly convened for the purpose, can, if they think proper, remunerate directors for their trouble or make presents to them for their services out of assets properly divisible amongst the shareholders. Further, if the company is a going concern, the majority can bind the minority in such a matter as this. But to make presents out of profits is one thing, and to make them out of capital or out of money borrowed by the company is a very different matter. Such money cannot be lawfully divided amongst the shareholders themselves, nor can it be given away by them for nothing to their directors so as to bind the company in its corporate capacity. Individual assents given separately may preclude those who give them from complaining of what they have sanctioned, but for the purpose of binding a company in its corporate capacity individual assents given separately are not equivalent to the assent of a meeting.

In *re Express Engineering Works* (1920), 1 Ch., 466 it was held, there being no suggestion of fraud, that the company was bound in a matter *intra vires* by the unanimous agreement of its members. Although the meeting was styled a directors' meeting, all the five shareholders were present, and they might well have turned it into a general meeting, and transacted the same business. If all the shareholders are present, then all the requirements in connection with a meeting of a company are observed, and every competent resolution passed for which no further formality is required by statute becomes binding on the company.

There were two differences between *Newman's* case and the *Express Engineering Works*. First, in the former case, the transaction was *ultra vires*, and secondly, there never was a meeting of the corporators. In the latter case the five persons present were all the corporators of the company, and they did all meet, and did all agree that debentures should be issued. The case therefore came within the meaning of what was said by Lord Davey in *Salomon v. Salomon* (1897), A.C., 22: "I think it is an inevitable inference from the circumstances

of the case that every member of the company assented to the purchase, and the company is bound in a matter *intra vires* by the unanimous agreement of its members." In the case of *Express Engineering Works*, the Court said that the meeting was a directors' meeting, but it might well be considered a general meeting of the company, for although it was referred to in the minutes as a board meeting, yet if the five persons present had said "we will now constitute this a general meeting," it would have been within their powers to do so, and it appears that that was in fact what they did.

In *Parker & Cooper v. Reading* (1926), Ch., 975 it was held that a company is bound in a matter *intra vires* the company by the unanimous agreement of all its corporators. If all the individual corporators in fact assent to a transaction that is *intra vires* the company, though *ultra vires* the board, it is not necessary that they should hold a meeting in one room or one place to express that assent simultaneously. Mr. Justice Astbury, discussing the case of *Express Engineering Works*, said that all three Judges no doubt referred to the fact that there had been a meeting, but he did not think that they came to their decision because the five shareholders happened to meet together in one room or one place, as distinct from agreeing to the transaction *inter se* in such manner as they thought fit. And Lord Justice Warrington had said it was competent to the shareholders to waive all formalities as regards notice of meetings, &c., and to resolve themselves into a meeting of shareholders and unanimously pass the resolution in question.

Mr. Justice Astbury, in applying the cases of *Newman* and the *Express Engineering Works*, said that his view of both these decisions was that where the transaction was *intra vires* and honest, and especially if it was for the benefit of the company, it could not be upset if the assent of all the corporators was given to it. He did not think it mattered in the least whether that assent was given at different times or simultaneously. The plaintiffs had contended that the two directors acted throughout as if they were partners, and could not now turn round and shelter themselves behind the company law. He did not take that view. If company law enabled the entirety of the corporators to ratify an irregular *intra vires* transaction, why should this not protect an honest *bonâ fide intra vires* transaction entered into for the benefit of the company? He could find nothing in *Newman's* case to prevent all the corporators from arranging to carry out an honest *intra vires* transaction entered into for the benefit of the company, even if they did not meet together in one room or place, but all of them merely discussed and agreed to it one with another separately.

## Society of Incorporated Accountants and Auditors.

### MEMBERSHIP.

The following additions to and promotions in the Membership of the Society have been completed since our last issue:—

#### ASSOCIATES TO FELLOWS.

- BARTON, JOHN HORACE (Cooper & Kenny), 34, Dame Street, Dublin, Practising Accountant.
- CARTER, ERNEST, 2, Barstow Square, Wakefield, Practising Accountant.
- GREGG, REGINALD (Vaughan & Gregg), Lloyds Bank Buildings, King Street, Manchester, Practising Accountant.
- HENOCHSBERG, ALEC (Henochsberg & Wolpert), Wintens Chambers, Durban, South Africa, Practising Accountant.
- HUNT, ALFRED HENRY, 14, Cook Street, Liverpool, Practising Accountant.
- INGHAM, GEORGE HAROLD (Rushworth & Ingham), 15, Kirkgate, Bradford, Practising Accountant.
- JAMES, HERBERT MATTHEW, Turnbull Chambers, 14, High Street, Coventry, Practising Accountant.
- LAMBERT, WALTER EVERETT (Page, Simpson, Fitzgerald and Lambert), Essex House, High Street, Stratford, London, E.15, Practising Accountant.
- PALMER, AUBREY LIONEL (Palmer & Kent), 48/49, National Mutual Buildings, Market and Rissik Streets, Johannesburg, South Africa, Practising Accountant.
- PHILIP, JOHN DOUGLAS MACINTOSH (Price, Waterhouse, Peat and Co.), 10/14, Standard Bank Chambers, Johannesburg, South Africa, Practising Accountant.
- TAPSON, EDWARD MARSTON, City Treasurer, The Council House, Bristol.
- THOMPSON, MAURICE, 30, Mark Lane, London, E.C.3, Practising Accountant.
- WALKER, WILLIAM ALFRED, Borough Treasurer, Town Hall, Burnley.
- WALKER, ARTHUR JEWELL (Cooper & Kenny), 34, Dame Street, Dublin, Practising Accountant.

#### FELLOW.

- MOURANT, HENRY AUBIN, F.C.A. (Percy Mason & Co.), 64, Gresham Street, London, E.C.2, Practising Accountant.

#### ASSOCIATES.

- AINSWORTH, HAROLD RALPH, Clerk to Josolyne, Miles, Page and Co., 28, King Street, Cheapside, London, E.C.2.
- AINSWORTH, JOHN, Borough Treasurer, Town Hall, Chorley.
- ASBRIDGE, ERNEST JAMES, Clerk to John Asbridge, 26, Budge Row, London, E.C.4.
- BEREND, ADRIAN HARRY, Clerk to W. Murray, Smith & Berend, 378, Smith Street, Durban, South Africa.
- BRINDLEY, NORMAN VINCENT, Clerk to John Gordon & Co., 7, Bond Place, Leeds.
- BROWN, ERNEST, Clerk to O. G. Taylor & Garbutt, Judges Court, Coney Street, York.
- BROWN, FRED, Clerk to Peat, Marwick, Mitchell & Co., 125, Ramsden Square, Barrow-in-Furness.
- BROWNELL, GEORGE GILBERT, Clerk to Ashworth, Mosley & Co., 104, King Street, Manchester.
- BRYANT, HORACE BENJAMIN, Clerk to Deloitte, Plender, Griffiths & Co., 5, London Wall Buildings, London Wall, London, E.C.2.
- BURGESS, WALTER SAMUEL, Clerk to White & Pawley, 6, Sussex Terrace, Princess Square, Plymouth.
- CAMPBELL, WILLIAM JOHN ARCHIBALD, Box 859, Durban, South Africa, Practising Accountant.
- CLOTHIER, EDWARD, F.C.A., Alexandra Hall, West Street, Durban, South Africa, Practising Accountant.

- CORLETT, HUBERT ALAN, Clerk to Oddy & Fox, 37, Manor Row, Bradford.
- CUNNINGHAM, JOHN DRYDEN (George Mackeurtan, Son & Crosoer), Old Well Court, 376, Smith Street, Durban, South Africa, Practising Accountant.
- DRIVER, JOHN, Clerk to Fred Clarkson, Bank Chambers, 7, Hargreaves Street, Burnley.
- DUCK, FREDERICK LESLIE, A.C.A. (Duck, Mansfield & Co.), 63, Coleman Street, London, E.C.2, Practising Accountant.
- EARP, LESLIE GROVES, Clerk to Tyler & Wheatcroft, 43, Cannon Street, Birmingham.
- EDWARDS, CYRIL EIRWIN, 19, Victoria Square, Aberdare, Practising Accountant.
- FOXLEE, ARTHUR BRAZIER, Clerk to Whinney, Smith & Whinney, 4a, Frederick's Place, Old Jewry, London, E.C.2.
- GILES, EDWARD SYDNEY, Clerk to Cooper & Norfolk, 8, East Stockwell Street, Colchester.
- HIGGERTY, JOHN WATERSTON, Clerk to J. Fleming Orr, Pratt and Mockford, 4/8, Trust Buildings, Fox Street, Johannesburg, South Africa.
- HILL, CHARLES BERNARD, Clerk to Clinch & Legge, Hurdie House, Broad Street, Seaford, Sussex.
- HORNE, GEORGE EDWARD LANCELOT, Clerk to George Mackeurtan, Son & Crosoer, 306, Smith Street, Durban, South Africa.
- HORSNELL, ARTHUR DOUGLAS, (Mitchell & Horsnell), Kelsall Chambers, 46, Woodhouse Lane, Leeds, Practising Accountant.
- HORSTEAD, HORACE EDWARD, Clerk to Hodgson, Harris & Co., 135, Fenchurch Street, London, E.C.3.
- HUBBARD, BERTRAM PEACE, Clerk to Fuller, Wise, Fisher & Co., Bassishaw House, Basinghall Street, London, E.C.2.
- JACOB, BASIL BEWLEY, Clerk to Cooper & Kenny, 34, Dame Street, Dublin.
- KNOWLES, CHARLES RICHARD, Clerk to W. T. Butterfield, 9, Market Street, Bradford.
- MACINTOSH, JOHN CHEVRE, Clerk to Dougall, Lance & Hewitt, Pretoria Building Society Chambers, Pretorius Street, Pretoria, South Africa.
- MARSHALL, LESLIE, Accountant to Beddington and Wallington Urban District Council, Council Offices, Wallington, Surrey.
- MORGAN, DAVID ROWLAND, Clerk to J. Wallace Williams & Co., 50, Broad Street, Newtown, Mont.
- NUNNELEY, STANLEY HERBERT, Clerk to Alfred Wright & Co., 6, Duke Street, St. James's, London, S.W.1.
- RALPHS, FRANK SIDNEY, Accountant to John Joule & Sons, Limited, The Brewery, Stone, Staffs.
- RUSSELL, WILFRID SCOT, C.A., P.O. Box 478, Bulawayo, South Africa, Practising Accountant.
- SAMUEL, HARRY CHARLES, Clerk to Franklin, Wild & Co., Orient House, 42/45, New Broad Street, London, E.C.2.
- SHARP, ROLAND NEWMAN, Clerk to Bell & Watson, 2, St. Sepulchre Gate, Doncaster.
- SHILLINGFORD, NORMAN FREDERICK, A.C.A. (Lamb, Laurie and Shillingford), 32-35, North British and Mercantile Building, Commissioner Street, Johannesburg, S. Africa, Practising Accountant.
- STEWART, LAUD EDGAR, 53/57, Abington Street, Northampton, Practising Accountant.
- STOCKS, WILLIAM HENRY, Clerk to Oscar Berry, Froude & Co., Monument House, Monument Street, London, E.C.3.
- SUTTON, THOMAS HAGUE, 35, Denmark Road, Southport, Practising Accountant.
- THOMPSON, GERALD ALGERNON, Clerk to Mundy, Brewer & Co., 3, Wood Street, Queen Square, Bath.
- TOD, NEVILLE SPENCER (H. E. Mattinson & Norden), 36/41, Salisbury House, Smith Street, Durban (South Africa), Practising Accountant.
- TROLLIP, ERNEST JAMES, Clerk to Chas. Hewitt & Coutts, 55/60, Sauer's Building, Loveday Street, Johannesburg, South Africa.



## Society of Incorporated Accountants and Auditors.

### COUNCIL MEETING.

A meeting of the Council was held in the Council Chamber, 50, Gresham Street, London, E.C., on Thursday, January 19th, 1928, when there were present:—Mr. Thomas Keens (President), in the chair; Mr. Henry Morgan (Vice-President); Mr. W. Bateson (Blackpool), Mr. H. J. Burgess (London), Mr. D. E. Campbell (Wolverhampton), Mr. W. Claridge, M.A., J.P. (Bradford), Mr. Arthur Collins (London), Mr. E. Cassleton Elliott (London), Mr. Walter Holman (London), Mr. Ernest T. Kerr (Birmingham), Mr. Richard Ileyshon (Cardiff), Sir James Martin, J.P. (London), Mr. C. Hewatson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. W. Paynter (London), Mr. Arthur E. Piggott (Manchester), Mr. J. Stewart Seggie (Edinburgh), Mr. Richard Smith (Newcastle-on-Tyne), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. R. T. Warwick (West Hartlepool), Mr. W. McIntosh Whyte (London), Mr. A. E. Woodington (London), Mr. A. A. Garrett, B.A., B.Sc. (Secretary), and Mr. J. R. W. Alexander, M.A., LL.B. (Parliamentary Secretary).

Apologies for non-attendance were received from Mr. G. S. Pitt (London), Mr. F. Walmsley, J.P. (Manchester), Mr. E. W. C. Whittaker, J.P. (Southampton), and Sir Charles H. Wilson, M.P., LL.D. (Leeds).

The Secretary reported the death of the following members:—Mr. George Ashley (Associate), Brighton; Mr. Alfred Coxon (Fellow), Burton-on-Trent; Mr. John Caister Dixon (Associate), London; Mr. Reginald Henry Faggetter (Associate), Kingston-on-Thames; Mr. Harry George Louis Panchaud (Fellow), Johannesburg; Mr. Charles Kenneth Rawnsley (Associate), Bradford; Mr. Richard Rees (Fellow), Cardiff; Mr. Thomas William Stanfield (Fellow), Liverpool; Mr. William Arthur Turner (Fellow), Bradford; Mr. Donald McLaurin Wriglesworth (Fellow), Liverpool.

### FINANCE ACT, 1927—SECT. 31.

It was reported that on behalf of the Council a Memorandum on this section had been forwarded to a Committee of Members of Parliament, indicating the views of the Council on the operation of the section and suggesting possible improvements.

### CODIFICATION OF INCOME TAX LAW.

It was reported that a communication had been received from a Committee set up by the Chancellor of the Exchequer to report on the Codification of Income Tax Law, requesting a Memorandum of recommendations from the Society of Incorporated Accountants.

### SOUTH AFRICAN MATTERS.

The Council received a report from Sir James Martin upon his recent visit to South Africa and of his meetings with the Members of the Society in Cape Province, the Transvaal and Natal.

The Council adopted a number of recommendations in regard to the policy and organisation in South Africa, which it was directed should be forwarded to the respective Committees of the Society in the Union.

The Council passed a cordial vote of thanks to Sir James Martin for his report and for his services to the Society in this matter, and expressed to the Committees in South Africa their appreciation of the reception accorded to Sir James Martin.

A large number of new members were elected, and other important business was transacted.

## Society of Incorporated Accountants and Auditors.

### EXAMINATION RESULTS.

SOUTH AFRICAN (EASTERN AND WESTERN) COMMITTEES.

NOVEMBER, 1927.

#### Final.

##### Alphabetical Order.

- ADE, EDWIN CLIFFORD THACKWAT, Clerk to Deloitte, Plender, Griffiths, Annan & Co., Board of Executors' Building, Manica Road, Salisbury, Rhodesia.  
GREENWOOD, HERBERT, Clerk to C. S. Freake (Leith, Freake and Cade), 69, Maitland Street, Bloemfontein.  
JOLLY, REGINALD THOMAS, Clerk to F. B. Gibbins (Price, Waterhouse, Peat & Co.), 10/14, Standard Bank Chambers, Johannesburg.  
LIEFFE, CECIL ERNEST, Clerk to George Mackeurtan, Son and Crosoer, Old Well Court, 376, Smith Street, Durban.  
PECK, HAROLD DOUGLAS, Clerk to C. L. Andersson, Gibson and Co., Royal Insurance Buildings, 143, Longmarket Street, Cape Town.  
STUART, CHARLES MARSDEN, Director, Commercial Hardware and Tool Company, Limited, 129, Commissioner Street, Johannesburg (formerly Articled Clerk to A. N. Smith, Johannesburg).  
TAYLER, FREDERICK JOHN, Clerk to George Mackeurtan, Son and Crosoer, Old Well Court, 376, Smith Street, Durban.  
WESTERTON, PHILIP WALTER, Clerk to Sir Alfred T. Hennessy, K.B.E., 42, Burg Street, Cape Town.

(7 Candidates failed to satisfy the Examiners.)

#### Intermediate.

##### Alphabetical Order.

- ATKINSON, PERCIVAL STUART, Clerk to Deloitte, Plender, Griffiths, Annan & Co., Royal Exchange Buildings, Smith Street, Durban.  
CARTER, JAMES, Clerk to J. C. McIntyre, 65, Maitland Street, Bloemfontein.  
GOFFE, EDWARD DOUGLAS, Clerk to Chas. Stuart & F. E. Roberts, 132/136, Cullinan Buildings, Johannesburg.  
HOFMEYR, NICOLAI GORDON, Clerk to A. Hewitt (Dougall, Lance & Hewitt), Pretoria Buildings, Society Chambers, Pretorius Street, Pretoria.  
LLOYD, EDGAR LLEWELLYN, Clerk to Douglas, Low & Co., Consolidated Gold Fields Buildings, corner of Simmonds and Fox Streets, Johannesburg.  
MOORE, EDWARD GUY, Clerk to James Stewart (James Stewart & Steyn), 6/8, Alliance Buildings, Fox Street, Johannesburg.  
SOPER, PHILIP FRANCIS WILLIAM, Clerk to P. M. George (Halsey & George), Leuchars Buildings, Smith Street, Durban.  
WAGENER, VOLKER ODHIN WIDAR FRIEDRICH, B.Sc., Clerk to R. Cade (Leith, Freake & Cade), 69, Maitland Street, Bloemfontein.  
WHITTLE, FRANK HILTON, Clerk to E. S. Crosoer (George Mackeurtan, Son & Crosoer), Old Well Court, 376, Smith Street, Durban.

(13 Candidates failed to satisfy the Examiners.)

#### Preliminary.

##### Alphabetical Order.

- MORISSE, ROWLAND HUBERT, 90, Reeders Hill, Forest Hill, Johannesburg.  
STORE, RONALD BIRRELL, P.O. Box 303, Johannesburg.  
SUMNER, FRANCIS JOHN, 25, Wellington Road, Parktown, Johannesburg.  
YOUNG, SYDNEY WILLIAM WAYLAND, P.O. Box 29, Boksburg.

(1 Candidate failed to satisfy the Examiners.)

## The Society of Incorporated Accountants in Ireland.

### ANNUAL MEETING.

The 25th annual general meeting of the above Society was held at the offices, 34, Dame Street, Dublin, on Wednesday, January 4th.

The PRESIDENT (Mr. A. H. Walkey, F.S.A.A.) occupied the chair, and the following members of the Committee were amongst those present:—Mr. A. J. Magennis, F.S.A.A. (Cork), Mr. James Boyd, F.S.A.A., Mr. R. Bell, F.S.A.A. (Belfast), Mr. R. J. Kidney, F.S.A.A., and A. J. Walkey, A.S.A.A., Hon. Secretary (Dublin).

The PRESIDENT, in proposing the adoption of the report and accounts for the year ended July 31st, 1927, said: The principal event of the year under review was the introduction into the Senate of Oireachtas of the Registered Accountants' Bill which was promoted jointly by this Society and the Institute of Chartered Accountants in Ireland. The second reading took place on February 24th, 1927, when the motion that the Bill be referred to a Select Committee was rejected by 18 to 15 votes. This result was extremely disappointing, following the work of some years' duration by the promoting bodies, who had exercised the greatest care and consideration, and obtained the best legal advice, in the preparation of the Bill, which provided in the most generous fashion for admission to the register of all practising accountants, and for a transition period during which unarticled clerks could qualify for admission in due course.

As the debate proceeded, it became clear that, generally speaking, the public have a very limited knowledge of the nature of the duties and responsibilities which are cast upon professional accountants; in fact, it was obvious that quite a number of Senators who joined in the debate had little or no appreciation of the distinction in training and experience as between professional accountants and book-keepers, and considered that it was more or less an automatic step from the latter to the former occupation.

I will not dwell further on this matter except to say that the result of this attempt to obtain registration for the profession has its consolations. It is possible that had a register of professional accountants been set up, there would have been a levelling down rather than a levelling up of the standard of professional competence and conduct to which Chartered and Incorporated Accountants are accustomed, and which is the result of the training and experience gained under the systems of their respective bodies, and to whose discipline they have voluntarily submitted themselves. To the majority of the members of these bodies registration would have brought no personal benefit, and no doubt Chartered and Incorporated Accountants will continue to enjoy the confidence of the business community, and to share the greater part of the professional work which is continually increasing in its scope and responsibilities as commerce and industry develops and expands.

So far as our own Society is concerned, it is free to pursue its progressive policy, and as our duties and responsibilities increase, to keep pace with the requirements of the time by evolving a more intensive training, and examination syllabus, which will equip our students to meet the changing conditions.

At the examinations held in the Dublin and Belfast centres in November, 1926, and May, 1927, there were in all 79 candidates, and of these 45 passed and 34 failed. The fact that over 50 per cent. were unsuccessful in the Final and Intermediate examinations shows the high standard required by the examiners. In his Presidential Address last year my

predecessor recommended candidates to keep themselves up-to-date in legislation of professional interest, in addition to pursuing the usual course of study for the examinations, and I cannot do better than repeat this advice.

The Belfast and District Society continues to promote and advance the Society's interests in Northern Ireland, and has a very strong membership, composed of Fellows, Associates and students. The last named derive practical benefit from the lectures which are a feature of the Society's activities, and the same remark applies in Dublin, where the Students' Society has more than maintained the success of the previous year.

The annual dinner of the Branch was recently held in Dublin, when I was privileged to preside over a record gathering. The principal guest was Mr. Ernest Blythe, Minister for Finance, and the function synchronised with the appearance of the prospectus of the Second National Loan, to which Mr. Blythe referred at some length. The loan was over-subscribed, and the list closed some days before the final date given in the prospectus. In addition to local guests, we were also glad to welcome Mr. Thomas Keens, the President of the Parent Society, Mr. A. A. Garrett, Secretary, and Mr. J. R. W. Alexander, the Parliamentary Secretary.

The annual dinner of the Belfast and District Society was also held about the same time, when the principal guest was Viscount Craigavon, and this also was a most successful function.

During the year there has been a very large increase in the routine work and correspondence, largely owing to the number of candidates who are seeking admission to the Society's examinations, but we have also been preparing the ground for an extension of the Society's activities. It might be premature for me to give particulars at the moment, but members will in due course be fully advised of the proposals to extend the Society's influence. In this connection I would urge our members to use the designation "Incorporated Accountant" on all possible occasions—a title which cannot be used by unqualified persons to mislead the public.

Before concluding, I should refer to the very successful Conference which was held in Manchester at the end of September, and at which both the Irish Free State and Northern Ireland were well represented. It is, I think, an extremely good thing that we should now and again meet our professional colleagues of Great Britain on such occasions as this, and exchange views on professional and industrial problems of the day.

I now beg to propose the adoption of the report and statement of accounts for the year ended July 31st, 1927.

The motion was seconded by Mr. A. J. MAGENNIS and passed unanimously.

The election of officers and members of the Committee for the ensuing year was then proceeded with.

The President, Mr. A. H. Walkey (Dublin), and the Vice-President, Mr. C. P. McCarthy, M.Com. (Cork), were re-elected, as were also the Hon. Auditor, Mr. T. Condren Flinn, and the Hon. Secretary, Mr. A. J. Walkey. The Committee was constituted as follows:—The President, Vice-President, and Mr. J. A. Kinnear, Mr. R. J. Kidney, and Mr. A. J. Walkey (Dublin), Mr. James Boyd, Mr. Norman Booth, and Mr. R. Bell (Belfast), and Mr. A. J. Magennis (Cork).

Mr. R. Wilson Bartlett, senior partner in the firm of Walter Hunter, Bartlett & Co., Incorporated Accountants, of Newport, Cardiff, and London, has been unanimously elected President of the Newport Chamber of Commerce.



## PRIVATELY CONTROLLED COMPANIES' LIABILITY FOR SUPER TAX.

The following Memorandum was submitted by the Council of the Society of Incorporated Accountants and Auditors at the request of a Committee of Members of the House of Commons appointed to consider sect. 21 of the Finance Act, 1922, and sect. 31 of the Finance Act, 1927, relating to super tax on the undistributed income of certain companies.

Sect. 21 of the Finance Act, 1922, not having completely achieved the objects sought to be attained, the Society of Incorporated Accountants and Auditors accepts the principle that the provisions of sect. 31 of the Finance Act, 1927, are necessary in order to prevent the evasion of the payment of super tax. It shares the view of the business community, however, that the section is capable of being extended, if not now at some future time, in such a manner as to be in the nature of a penalty, and seriously to handicap the legitimate activities of companies, and the placing to reserve of what, in each particular case, is a fit and proper sum. The apprehension which has been created by sect. 31 appears to have some justification, as also does the criticism that its provisions are unnecessarily complicated and ambiguous.

To circumscribe the extent of the application of the section is a difficult matter, however. It is fundamental that each company's case should be treated on its merits, and there are obvious disadvantages, therefore, in arbitrary provisions, such as enacting that a fixed percentage of the profits may be transferred to reserve without liability to super tax, or in the enumeration of such transactions as are known generally to be designed to avoid super tax.

Consideration of each case involves reliance upon the decision of the Special Commissioners, although there is a right of appeal to the Board of Referees, composed of representative business men and leading Chartered and Incorporated Accountants. In the matter of the equitable assessment of super tax, the Society is of opinion that this procedure is the least objectionable course, in view of the appeal to the Board of Referees, and should not create alarm if it is clearly and definitely enacted that the section is directed towards those who are deliberately evading super tax, and that, in the words of the Chancellor of the Exchequer, it is intended to "leave untouched and untrammelled and undisturbed every company which is carrying on a thrifty, far-sighted, straightforward business."

In addition to this limitation, which is regarded as essential, upon the scope of the interpretation of the section, the Society recommends that the following amendments should also be made:—

(1) That it should be made absolutely clear a company having paid super tax shall be able, as against the individual members of the company liable to super tax, to recoup itself from future dividends, with a lien upon the shares, or otherwise recover the amount so paid out on behalf of such individuals. *Inter alia*, this would avoid members of a company not liable to super tax suffering a proportion of such tax when it has been paid by the company, whilst the members who are liable would in fact be made to bear the burden.

(2) That, under sect. 21 (1) of the Finance Act of 1922, the income "deemed to be the income of the members" shall be the "reasonable part" of the company's "actual income" which has not been, and should reasonably be, distributed, and that only this reasonable part "shall be apportioned among the members," and made liable to super tax. This would give the Inland Revenue discretion

in the matter of the ascertainment of what amount should reasonably be assessed to super tax, and would allow the Board of Inland Revenue to agree with the accountant what this reasonable amount should be. At present no discretion would appear to be allowed to the Inland Revenue which would be compelled to apply the Act rigidly, and further has no alternative but to assess to super tax, not only that "reasonable part" which ought to be distributed (*e.g.*, 5 per cent.) but also that part (*e.g.*, 95 per cent.) which is *bona fide* placed to reserve or otherwise dealt with.

## Changes and Removals.

Mr. Robert Crome, Incorporated Accountant, has commenced public practice at 11, Saville Row, Northumberland Street, Newcastle-on-Tyne.

Mr. R. P. Dalal, Incorporated Accountant, has removed to 375, Hornby Road, Fort, Bombay.

Mr. M. D. Darbari, Incorporated Accountant, has been admitted a partner in the firm of S. B. Billimoria & Co., and will be in charge of the Calcutta branch.

Messrs. Duck, Mansfield & Co., Incorporated Accountants, of 63, Coleman Street, E.C.2, announce that they have admitted as a partner in their firm Mr. F. Leslie Duck, A.C.A., A.S.A.A. The style of the firm will remain unaltered.

Messrs. P. K. Ghosh & Co., Incorporated Accountants, have removed to 14, Clive Street, Calcutta.

Messrs. Frank Haynes & Co., The Hollins, 16, New Street, Leicester, have opened a branch office at Bank Chambers, High Street, Rushden.

Mr. H. T. Hooley, Incorporated Accountant, has commenced public practice at 12, Upper College Street, Derby Road, Nottingham.

Mr. David Hunter, Incorporated Accountant, has entered into partnership with Mr. B. Crampton, and will in future practise at Exchange Chambers, Coppergate, York. The name of the firm will be Crampton & Hunter.

Messrs. Keeling & Co., Incorporated Accountants, have removed to 67-69, Watling Street, London, E.C.

Mr. Harold Kelly, Incorporated Accountant, has removed to 523, Cecil Chambers, 76, Strand, London, W.C.

Messrs. Laverick & Walton, Incorporated Accountants, Midland Bank Chambers, Sunderland, have taken into partnership Mr. W. S. Martin and Mr. George Blakelock, Incorporated Accountants. The style of the firm will be Laverick, Walton & Co.

Mr. A. J. Pope, Incorporated Accountant, has commenced public practice at Westgate House, Westgate Buildings, Bath.

Mr. T. B. Rich, Incorporated Accountant, announces that he is now in practice at Market Chambers, Lytham Street, Blackpool, and 68, Park Road, Stretford, Manchester.

Messrs. W. Shand & Co. have removed to Brook House, 17, O'Connell Street, Sydney.

Mr. R. G. Sidford, Incorporated Accountant, announces a change of address to Cecil Chambers, 76, Strand, London, W.C.

## INDUSTRIAL AND PROVIDENT SOCIETIES' REPORT.

The following are extracts from the report for the year 1926 of the Registrar of Friendly Societies, in which he deals with the accounts of Industrial and Provident Societies:—

### AUDITORS' SPECIAL REPORTS.

The Industrial and Provident Societies Acts require every society registered thereunder to submit accounts for audit to one or more of the public auditors appointed under those Acts, and the public auditor is required to sign them as being in order or to report specially thereon. Besides sending a copy of such a report to the Registrar so that it may be available for public inspection, the society is required by statute always to keep a copy of the last balance-sheet and any such report hung up in a conspicuous place at its registered office. In addition, the report should be submitted to the members in general meeting when the relative set of accounts is presented to them. It occasionally happens that a copy of a special report is not sent to the Registrar with the annual return. This may not be a deliberate attempt at concealment, but in some instances accounts have been printed and published which neither include the report nor any reference to it, although it qualified the certificate of the auditor.

The value of the statutory audit is frequently shown by the nature of criticisms which the auditors make in their special reports, particularly where such reports lead to necessary reforms being made. The following are some of the more interesting cases which were dealt with during the year:—

(A) The auditor of a society, which traded in feeding stuffs for live stock, and fuel, reported that he had discovered that the secretary had concealed invoices from him, with the result that the liabilities for the previous year had been understated by over £500. As a result of the report, a committee of inspection was appointed by the members. This committee found that the secretary had not presented all the invoices and other documents to them for some years past and that a balance of loss instead of a surplus should have been shown in the accounts for each of the three previous years. The secretary was also found to be deficient in his cash to the extent of £245, but fortunately this was recovered in full. Efforts were made to restore the society to a solvent position, but these proved abortive, and a resolution to wind up voluntarily was passed in August, 1926.

(B) The auditor of a club reported that, following his submission of draft accounts, the committee asked him to make the following alterations:—

- (i) To set off a small amount due by sundry debtors against the sundry creditors, although there was no connection between the contra items.
- (ii) To reduce the amount of depreciation written off fixed assets below the rates provided in the rules.
- (iii) To capitalise repairs to furniture and fittings.

The auditor properly refused to do as he was asked.

(C) The conduct of the business of a society dealing in poultry foods was criticised by its auditor, who pointed out that the society was not only trading at a loss with members and non-members alike, but was allowing excessive credit, and that shares had been repaid contrary to the rules and interest on shares paid out of capital. Following the report, various internal changes were made, but so far any benefit which may have accrued has apparently been counter-balanced by a reduced turnover.

(D) The bad management of a club necessitated a long and

detailed special report from the auditor. His comments on the vouching of the cash book included the following:—

"£2 paid to treasurer. A receipt (bearing a different date from that in cash book) was produced in support of this item, which appears to have been some joy ride for several of committee."

"Expenses to Edinburgh £1 10s. This was paid to president and secretary to visit auditor in connection with handing over books for audit. This expense was extravagant in view of the fact that they had not time to wait and fully explain the transactions, owing to other personal visits they were making, instead of transacting the affairs and business of the club."

"No entry for members' shares received from new members who were admitted into membership contrary to rule so that they could obtain refreshment at New Year time, owing to other licensed premises being closed."

"No entry can be traced in cash book for the security lodged by the late steward . . . It is stated that the late secretary received this money amounting to £4."

A later report of the auditor showed that although a new committee had been appointed, irregularities and extravagance still continued, e.g.—

"Officers are undertaking railway journeys at the society's expense simply to pay merchants' accounts," and

"The club sent a lorry specially to Falkirk for beer in their anxiety to secure this during the strike period."

Extreme difficulty was experienced by the Assistant Registrar for Scotland in obtaining replies to correspondence, which is not surprising in view of the following letter received from the last chairman:—

"With reference to your letter on the 16th instant i have not got the necessary reports to send you as i never seen of the Clubs correspondes the secrecy . . . should of ancered All correspondes he never resined he staid away from the Club all this month i have been acting Chairman since some date in November pendend a General meeting which never came off the members did not turn up at their meeting. Sir i Aloud my to go in for the licensing but when i received your letter i withdraw the Clome and is not applying for renewal of Licensing i have no backings to go into Charg against the late manager . . . i was not in the committee whe he was there i have no one to assist me to deal with . . . who volentered to be secretary after . . . Sir i am not much of a writer or Reader that is why i cant do much business what i can Doo will do.

yours —"

The society has now gone into compulsory liquidation.

It was also noticed that some of the special reports drew attention to the absence or inadequacy of insurance against losses by fire, defalcations and injury to employees.

### PRESENTATION OF IRREGULAR BALANCE SHEET.

Information was received from a Chartered Accountant that at the end of May, 1926, he had received the books of an ex-service men's club for audit. Before finally balancing the books he learned that incorrect accounts, purporting to have been signed by him, had already been submitted to a general meeting of the club at the end of March. He was not the society's regular auditor, and was not a public auditor. Inquiries were made by the Assistant-Registrar for Scotland, and the society stated that the committee was misled by the late secretary, who had represented that the balance-sheet had in fact been signed by this Chartered Accountant, and had explained that he had been engaged because he lived nearer than the regular auditor. When the accounts were presented to the meeting, the audit had not in fact been done. Eventually the accounts for 1925 and the first half of 1926



were audited by the Chartered Accountant, although the committee were aware that he was not a public auditor, and consequently the society was put to the expense of a fresh audit by a public auditor. In the same society it was found that the gross profit was only £3 on sales of £1,592. The society, on being asked if there had been any misappropriations, agreed that there had been a deficiency, but said it was difficult to fix the responsibility, as (i) the books had been unsatisfactorily kept; (ii) stock had not been taken regularly in an efficient manner; and (iii) the late secretary and the late steward were both involved, and it was not possible to determine the respective amounts for which each was responsible. A general meeting had decided that no action should be taken against either of these persons.

#### INCORRECT ACCOUNTS.

The first annual return of a society in Caithness-shire was submitted, showing no members and no financial transactions. The society was informed that there must be at least seven members and that share capital must be taken up. Meanwhile, a new secretary had been appointed, and he replied that the instruction was not understood as every member already held shares. Eventually a fresh return was secured, showing, *inter alia*, the admission of 64 members who had contributed £1,199 share capital and the expenditure of £883 on fixed assets.

A serious position was disclosed by an investigation made by a Chartered Accountant into the affairs of a Scottish forestry society. Very considerable adjustments of the accounts had to be made, with the net result that a balance of profit of about £3,000 shown by the balance-sheet of the preceding annual return was converted into a loss of about £250. Outstanding among the adjustments were:—

" Capital Expenditure written off .. ..	£1,161
" Subscriptions in arrear written off .. ..	£123
" Outstanding debts written off:—	
(i) Commission overcharged .. ..	£502
(ii) Railway Account for over-delivered sleepers	£690
(iii) Sundry debts .. ..	£395 "

In explanation of part of the lost commission, it was explained that the society normally charged its customers 2½ per cent. on sales effected, and this had been debited in all cases, but one client produced a letter from the late manager (apparently written without due authority) agreeing to charge only 1 per cent. Another feature contributing to the loss was that money had in the past been accepted from customers in payment of current accounts, leaving stale accounts due by the same persons still outstanding. The manager was superseded in 1925 shortly after the investigator made an interim report to the society. It is hoped that under new management, and with closer supervision, the society will recover its position.

#### LOSS ON WORKING.

Among the many clubs which made a net loss on the year's working was one in Yorkshire, where the loss was due to the over-charitable disposition of the committee, who were perhaps influenced by the fact that the club opened the year with a balance of profit of over £1,100. The loss on the year was £935. This was found to be due almost entirely to a reduction of 10 per cent. in the rate of gross profit on turnover. The Registrar's inquiry on the matter elicited the information that this reduction was due to the committee having allowed two drinks per day free to all workmen employed on an extensive alteration of the club premises, and to a free treat having been given to all the members, numbering about 500, when the alterations were completed.

#### OVERVALUATION OF STOCK.

It is apparent that some trading societies are still showing their stock at cost price, although the market value has fallen. In a society which employed the stocktakers of the Co-operative Wholesale Society Audit Department in 1925, instead of its own officials as formerly, the book value of stock was written down by about one-half in order to bring it to present-day value. In another case, where the examination of returns revealed that the value of stock was inflated above cost value, the society suggested that the book figure should be reduced to the proper value over a period. As this is obviously an incorrect method of dealing with the matter, correspondence is still proceeding.

#### UNAUTHORISED PRACTICES.

In a number of cases it was found that the societies were not complying with their registered rules. In one instance, where a complete amendment had been registered which *inter alia* altered the nominal value of shares, the society continued to give effect to the rules in force before the date of the amendment. In all cases where it is observed that the registered rules and practice disagree, the society is requested to alter its rules or practice to bring them into conformity.

#### SECURITY BY OFFICERS, &c.

As in past years, the attention of many societies was drawn to the insufficiency of the security held in respect of their officers and servants. It is satisfactory to note that over 40 cases came to light during the year in which societies had acted on the Registrar's advice and had obtained security, or increased the amount secured. In one instance, three new policies were taken out totalling £700 and the secretary's policy was increased from £250 to £1,000.

The failure of many committees to appreciate their responsibilities in this matter is well illustrated by the following case. Attention was drawn by the Assistant Registrar for Scotland to the absence of security for a secretary. The secretary himself replied that there being "ample security in the secretary's own private property," nothing further was necessary. The Registrar considered this unsatisfactory, and to ensure the matter coming before the committee wrote to the chairman, who replied: "The drawings of the society are under his (the secretary's) full control, and as he never broached the subject of the fidelity bond I fail to see why the committee should take anything to do with the matter." The chairman then naively asked for a copy of the society's rules.

### Society of Incorporated Accountants and Auditors.

The next Examinations of the Society of Incorporated Accountants and Auditors will be held as follows:—

PRELIMINARY ..	Monday, May 7th, and Tuesday, May 8th.
INTERMEDIATE ..	Wednesday, May 9th, and Thursday, May 10th.
FINAL ..	Tuesday, May 8th, Wednesday, May 9th, and Thursday, May 10th.

The Examinations will be held at the following centres—London, Manchester, Cardiff, Leeds, Glasgow, Dublin and Belfast.

Copies of the Syllabus may be obtained from Mr. A. A. Garrett, Secretary of the Society of Incorporated Accountants and Auditors, 50, Gresham Street, London, E.C., or from any of the Secretaries of the Branches or District Societies.

## The Accountant and the Investor.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. E. D. KISSAN.

FINANCIAL EDITOR OF "THE DAILY MAIL."

The chair was occupied by Mr. HENRY MORGAN, Vice-President of the Society of Incorporated Accountants and Auditors.

Mr. KISSAN said: I have approached this occasion with some misgivings, especially when I saw in your sessional programme the galaxy of experts who were to address and instruct you on subjects relating to your profession. I should like to explain that I am here not to instruct, but merely to venture to put before you, as the accountants of the future, with all due respect one or two things that strike me as an exponent of the investor's point of view. And I hope that, after the rich meat with which you have been regaled during the earlier part of the session, you may find some plainer, if not lighter, fare not unpalatable.

May I begin with a story—an old one—about what is in one sense the most important balance-sheet in the country. It is not called a balance-sheet. But, at any rate, it balances, which seems to me to be really the one attribute—the only attribute—common to all balance-sheets. It is called the weekly return of the Bank of England. It has also been called by an unkind critic the weekly cryptogram. But that is rather anticipating the point of the story.

That eminent banker, the late Mr. Walter Leaf, told how he was discussing the weekly return with a former Governor of the Bank. Mr. Leaf, who, as you know, was chairman of the Westminster Bank, admitted to the Governor of the Bank of England, that there was one line of the Bank return that he could understand, and that was "Gold Coin and Bullion." The Governor, with a twinkle in his eye, retorted, "Mr. Leaf, are you sure you understand that?"

Now, I am not blaming your profession for the shortcomings of the weekly Bank return. No accountant, Incorporated or otherwise, has ever dared to append an auditor's certificate to that curious document. But I venture to say that many companies' balance-sheets, audited by eminent accountants, are so little informative that the only plea they have for greater clemency is that they raise their heads once a year instead of once a week. "The shareholders have a clear right to such accounts as will enable them from time to time to judge of the value of their investment. Except in matters of internal detail, they have an indisputable right to the fullest and clearest information." This is Mr. Lawrence Dicksee's dictum, and, in the interests of the investor, I should like to stand by that.

Are accountants, who audit accounts on behalf of shareholders, maintaining that indisputable right? Are accountants, who prepare the accounts of companies, doing their utmost to acknowledge it? Do companies' balance-sheets give the fullest and clearest information? I do not think that the investor could always give an affirmative answer to these questions.

You, the Incorporated Accountants of the future, together with your brethren the Chartered Accountants, have and will have practically a monopoly of the auditing of public companies' accounts in this country? Can you do more for the investor? I realise, of course, that the form of the accounts presented to shareholders must ultimately be decided by the directors, and that auditors may properly regard it as outside their province and, indeed, as irregular for them to dictate or to advise as to the form of those accounts.

Nevertheless, I do feel that as accounts are essentially the business of accountants, it is to accountants that investors must look for fuller accounts, whether these are achieved by advice or by moral suasion, or by more exacting requirements on the part of auditors. The auditors alone have the statutory right of access at all times to the books and accounts of a company, and the statutory right to demand such information as may be necessary for the performance of their duties. That right involves serious responsibilities. Moreover, accountants are being appointed as directors in increasing numbers.

I have already suggested that the only attribute common to all balance-sheets is that they balance. You always make them balance. You may think this a rather contumelious definition of a balance-sheet, but as long as balance-sheets of important companies contain such an item as "sundry creditors and credit balances and outstandings reserved" and include substantial sums in the second and third divisions of this convenient conglomeration, then I think that most shareholders would support my definition. A company that uses this omnibus heading in its published balance-sheet is certain to bewilder any shareholders that take an intelligent interest in its accounts, especially when the amount varies greatly from year to year. One such company that had shown heavy reductions under this heading, recently set its shareholders guessing, and jumping to the conclusion that heavy drafts had been made on contingency reserves. Seeking enlightenment from the chairman at the annual meeting, they were told that in earlier years the reductions in this item, one of which was a reduction of nearly £2,000,000, were almost entirely due to the considerable increases in the capital in those years. As to the latest year, the reduction of well over £500,000 was due, he said, to the fact that the value of stocks on hand was very much less than at the end of the preceding year. I leave you to decide whether the explanation was such as to afford much light to the shareholders as to the position of their company. But I do suggest that it sheds a lurid light on the inadequacy of the balance-sheet.

This is not, I think, the place for me to criticise individuals. I am, therefore, mentioning no names, but the company was a large trading company, and the balance-sheet was audited by a firm of accountants of the highest standing. The same balance-sheet lumped, under one heading, debts due to the company, stocks at cost, advances to, less balances due to, associated companies, accrued charges, payments made in advance, and stores on hand. It also lumped shareholdings in associated companies with freehold and leasehold properties and other assets. Really I wonder whether the shareholders would have received much less enlightenment if the balance-sheet had on one side two items—share capital and credit balances—and on the other the one item, debit balances. If this seems an exaggeration, it is, I think, an exaggeration that relates merely to the letter of the balance-sheet and not to its spirit.

For the sake of the uninitiated investor, and in the interests of general accuracy and clarity, I suggest that these misleading headings "assets" and "liabilities" be put in their proper place. Except that custom and law demand that the accounts should be in the form of a balance-sheet, the two sides of which must balance, it would be clearer to many investors if in place of a balance-sheet there should be a statement of the share capital and liabilities on the one hand and the assets on the other, showing clearly the excess on one side or the other and giving an explanation of that excess, whether it be a surplus or a deficit. The system of including reserves under the heading "liabilities" and a debit balance on profit and loss account as an "asset" is not, I think, calculated to make accounts as lucid as they might be.



The Companies Bill (now before Parliament) requires a balance-sheet to contain a summary of the liabilities and assets, so that I suppose these terms are likely to continue in use in balance-sheets, and possibly to be reintroduced where they have been abandoned; but, as I have said, I think they might be kept in their place.

The number of shareholders in public companies is increasing by leaps and bounds. Shareholders are taking an increasingly intelligent interest in the affairs of their companies. The trend of company legislation is in the direction of protecting the shareholder rather than the creditor.

I return, therefore, to the Dicksee dictum that "the shareholders have a clear right to such accounts as will enable them from time to time to judge of the value of their investment." I think this is an ideal that young accountants might well keep in view. Hitherto it has been generally accepted that the aim of an honest balance-sheet is not to represent the company's position as better than it actually is. "Subject to the value of the assets" is a common phrase in an auditor's report. It is a phrase that is universally accepted to mean that the auditors are not satisfied that the assets are worth as much as the sum at which they are put in the balance-sheet. When the auditors have reason to believe that the assets are worth more than the balance-sheet value no such phrase is used, and it is seldom, indeed, that auditors consider it their duty to draw the shareholders' attention to such an undervaluation. Nevertheless, it seems to me that this question of undervaluation and the concealment of reserves must sooner or later be seriously considered.

It has been held that the understatement of assets is defensible so long as there was no improper intention on the part of the directors, such as the purchase of shares by the directors in the market at a low price. But, however innocent the motive, to conceal facts is to mislead shareholders and to put them at a disadvantage in their investment transactions.

When the directors of a company apply for Stock Exchange dealing in its shares—and the Stock Exchange regulations provide that statements by the directors are a necessary preliminary to an application for permission to deal in a company's shares—they incur, to my mind, a responsibility that precludes their right to say, as they sometimes do, that they are not concerned with the market in their shares and the prices at which they stand. Even if concealment of essential facts as to a company's financial position were complete and directors were always honest, shareholders might be influenced by the concealment to sell their shares at an unduly low price. But concealment is, in fact, seldom complete, and leakage to a favoured few, often unavoidable, instead of disclosure to the whole, is a fruitful source of loss to the investor. For this reason the undervaluation of assets and the concealment of reserves, are, I think, expedients that should be very sparingly used.

Even when it comes to the overvaluation of assets in a balance-sheet, I think many auditors are scarcely helping the shareholders as much as they might. If a balance-sheet states that the assets are inserted "at cost," those two little words "at cost" may be a literal justification for a clean auditors' report, but I submit that the auditors are scarcely doing their best for the shareholders if they shelter themselves behind those words and give no indication in their report of a substantial overvaluation.

The Companies Bill lays down that future balance-sheets, if the Bill is passed, shall give such particulars as are necessary to explain how the values of the fixed assets have been arrived at. Will the two words "at cost" be held to be sufficient particulars within the meaning of the Bill? Not being a lawyer I cannot answer that question. But it seems to me that it is at least within the bounds of possibility

that they will. If so, then it emphasises the impossibility of the Legislature securing adequate information and protection for the shareholder without undue interference in matters of detail.

The Company Law Amendment Committee, on whose recommendations the Companies Bill was based, expressed the opinion that "with regard to the form of accounts, although in general we consider that shareholders and others concerned have little ground for complaint, cases occur where the information given by the accounts is of a scanty nature, particularly where assets are so grouped together under one heading that the true position of the company cannot readily be ascertained." They added that their recommendations would help to remove some of these grounds for complaint. Except in the provisions as to holding companies, I do not think their recommendations, which have now been embodied in the Bill, will carry us much farther. Indeed, the Committee almost admitted as much by adding that "the matter of accounts is one in which we are satisfied upon the evidence before us that within reasonable limits companies should be left a free hand." I agree with that, but I would add that the safeguard against an improper use of the free hand possessed by directors is the free and independent hand that is already possessed by auditors. The more the auditors use that free hand in the interests of the shareholders, the less necessity will there be for restrictive legislation.

I now turn to profit and loss accounts. A well known company recently stated its balance of profit, after including interest on investments, taxation repayment and reserve. The amount included on account of taxation repayment and reserve was not specified, so that the shareholders were left in the dark as to the actual profits of the year. In another company's accounts the principal item in the profit and loss account was "balance of working accounts and sundry other credits."

The chairman of one of these companies at the annual meeting disclosed the actual amount of the year's profit by specifying the amount of the extraneous item brought in, so that he could hardly put forward the stock excuse that the reticence of the accounts was due to the reluctance of the directors to let the company's competitors know how it had been faring. And with regard to that excuse I should like to hazard the opinion that any competitor worth its salt knows much more about the affairs of other companies in the same trade than the shareholders could gather from very much fuller accounts than many boards of directors produce for their information.

A well known company receiving a Government subsidy recently issued a profit and loss account showing the trading profits after crediting the amount of the subsidy. The annual amount of the subsidy had been disclosed in official records, and, in answer to inquiries, the secretary, without the slightest hesitation, stated the exact amount of subsidy that had been credited. Would it not have been better to show this essential item in the accounts?

If the Companies Bill is passed, the presentation of profit and loss accounts, as well as balance-sheets, will be compulsory, but there are no stipulations as to the form they must take. Nor does it seem to me that the requirements of the Bill in this respect will in themselves do much to remedy the paucity of information that many companies produce in their accounts, except perhaps, as I have said, by the Bill's stipulations as to the accounts of holding companies. It is, I think you will agree, impracticable for an Act to lay down an adequate detailed form of accounts for all companies, and I trust that it will never be necessary to legalise such State interference as would be necessary to force

reluctant directors to provide accounts that would present an adequate and intelligible statement of their companies' affairs. I think the inadequacy of many accounts arises from a failure of directors and officials to realise that shareholders who have entrusted the company with their capital are morally entitled to have the fullest possible information as to the way that capital has been employed, what profits it is earning, and the extent to which it has appreciated or depreciated.

I have one little further comment relating to profit and appropriation statements, and that is the treatment of income tax. Many companies include income tax in their dividend appropriations; that is to say, they include in the appropriations for dividends, paid or recommended, the amount of income tax on those dividends. If, doing this, they also include an additional appropriation for income tax, this appropriation is, of course, only a partial statement of the income tax to which they are liable, and would, by the way, be subject to amendment in the rare event of the dividend recommendations being rejected by the shareholders.

This method is liable to confuse shareholders who endeavour to analyse accounts, and becomes still more confusing when, as was done by an important company the other day, the appropriation for one class of shares is stated after deducting tax and the other before deducting tax. It seems to me much clearer to deduct the whole of the tax from the profits before showing the appropriations, so that all appropriations, whether for dividends, reserves, or other purposes, and also the amount carried forward are profits from which income tax appropriations have been deducted. If for some technical reason another method is adopted, I suggest that the shareholders should be clearly told what is being done. This is a matter of detail, but it has a bearing on my main principle. Let the accounts and financial statements be as clear as possible to the shareholders.

I turn now to prospectuses. I often wish you accountants could give a little more help there. A few months ago a firm of accountants, one of the leading firms, suddenly made an innovation that made many of us gasp with surprise. The prospectus of a new company, formed with a capital of about £2,000,000 to take over a manufacturing business from an individual owner, bore the epoch making statement: "The price agreed to be paid for the business was fixed after consultation with Messrs. So-and-so," mentioning the name of the eminent firm of accountants that appeared on the front page as auditors to the company.

In permitting this statement to be made the accountants gave a rare testimonial to the flotation. They had already given the usual certificate as to past profits, the average over three years being more than 15 per cent. per annum on the capital of the company, and the fixed assets were valued by leading valuers. In fact, the prospectus appeared to give all the information that investors have been led to expect in a prospectus. But the price that was being paid for the goodwill was very large, amounting to two-thirds of the total purchase price, and it may well have been for this reason that the auditors' testimonial was printed. It did not prevent criticism. On the contrary, the amount of the goodwill was criticised in certain quarters in no measured terms. But I think it ensured the subscription of the issue, and I hope the future will justify it.

Was it the dawn of brighter auditors' certificates in prospectuses? I have waited to see the same, or some other, accountants develop this interesting innovation. I have waited in vain. Perhaps it was too much to hope. The accountants must, I think, have seen something very virtuous in this promotion. Responsible critics, who could not have had the same insight into the business in question, thought otherwise,

and were apparently not prepared to accept the accountants' testimonial. Be that as it may, I think there must be few promotions to which responsible accountants would be prepared to give such an unstinted benediction. But it can scarcely be doubted that the accountants, before giving permission to include this statement in the prospectus, very carefully considered the professional principles involved. By consenting to the publication of the statement they acknowledged, moreover, that a mere statement of past profits, however valuable, might not in itself be sufficient justification for the purchase price on which the promotion was based.

Is it too much to hope that an accountant's report containing something more than a profit statement may some day be included in the prospectuses of new companies? The prospectus of a mining proposition would scarcely be given a second thought by an intelligent investor or speculator if it did not contain an expert report, not by the directors, but by an independent mining engineer who had investigated the property.

Accountants investigate businesses and report upon them in detail on behalf of prospective purchasers. Could some form of report suitable for inclusion in a public prospectus be devised? And when there is only a statement as to past profits, that statement should, I suggest, be so clear as to admit of no possible misunderstanding. The exact niceties of difference between, say, "net profits" and "net trading profits," may be understood by accountants, but I do not think we laymen recognise them.

Thanks mainly to your great professional organisations, the integrity and efficiency of the recognised accountants of this country have reached a high standard that is of inestimable value to the business of the country. I suggest that its value might be still further enhanced by a more liberal use of the powers entrusted to accountants to investigate the accounts of joint stock companies and to report on these accounts to the great and growing body of investors.

You may possibly think that, in addressing these observations to you as accountants, I am barking up the wrong tree and that they would be more properly addressed to the Directors' Students' Society. Well, as far as I know, there isn't one, and if there is I have not been honoured with an invitation to address it. When there is such a society I hope you will be the first to be asked to read papers to it. And, meantime, I believe that you would underrate your powers and influence if you maintained that your profession is not the one to which investors must ultimately look for a remedy for such legitimate grievances as they may have against the manner in which accounts are presented to them.

#### Discussion.

Mr. J. ROBINSON: I have listened to Mr. Kissan's lecture with a great deal of interest, because I think the City editors of our prominent newspapers are sometimes in the same position as we are ourselves: they are there to protect the public against what are, possibly, bad balance-sheets, bad investments, &c. But talking of the form of accounts, while the directors have to be consulted, a firm of any size has usually a good accountant, although he may not be a qualified man, on its staff. The form of accounts, therefore, passes through three or four different hands. Mr. Kissan gave us an example of a gentleman in the chair who really got the stocks mixed up with the creditors, saying that the stocks were in the creditors and capital was in the creditors. I should say he was an honest chairman who did not know what he was talking about, so there was a strong probability that the shareholders of that company would ultimately get the truth. (Laughter.) Now, coming to leasehold property. The terms upon which a lease of a property is held are so varied that you would have to give a sort of history, stating the term of the lease, the ground rent, and the various restrictions. For example, you may be able to sell or not to sell; there may be a period for



renewal on payment of a fine, or no period of renewal. Then, as regards reserves in the creditors, there is no doubt that these reserves should be actual reserves in respect of contingent liabilities. If there is any other reserve it should not be in the creditors. Referring to what is spoken of as an "honest balance-sheet," I have heard people refer to balance-sheets as being honest and dishonest. A company with which I was connected made a very substantial loss one year, and, in sending out the accounts quite a substantial profit was shown on the profit and loss account, but heavy depreciation on one or two items was deducted in the appropriation in the balance-sheet. One gentleman, on a prominent financial paper, called upon me and congratulated the company on the substantial profit. He had not noticed that this depreciation had been deducted from the gross profit and that really there was an absolute loss. There is one thing in which I do disagree with the Lecturer, and that is in relation to the statement of the dividends and the appropriation of the dividends. I do not know that I am using Mr. Kissan's exact words, but I always think that when the directors in their report or balance-sheet appropriate a dividend it ought to be stated in full. I know that many companies make a reserve for income tax in rates and taxes account, and then appropriate the dividend less tax. I understood Mr. Kissan to say he would prefer to have the net amount stated, but personally I think the gross amount of the dividend ought to be appropriated.

A STUDENT: I should like to associate myself with most of the Lecturer's remarks, but as regards the form of balance-sheet I would draw attention to what happens in a Government department. A new Government department, or an old one starting a trading account, does not settle the form of its trading account or balance-sheet, or profit and loss account, but leaves it to the Treasury, and the Treasury decide what form it is to take, in consultation, of course, with the department. The position seems to be quite different outside; the form of the balance-sheet is left to the directors solely. The Government department is really in the position of a director, but it is not allowed to fix even the details of the various headings of its accounts.

Mr. H. W. BATTY: I am interested in the subject of this lecture to-night from two points of view—both as chairman of an investment trust company and also as an accountant. From the investor's point of view, I agree entirely with the remarks of Mr. Kissan. I have often found it extremely difficult to get any really reliable view of the value of an investment from the company's balance-sheet, chiefly because one rarely knows upon what basis the assets have been valued. Some companies, as Mr. Kissan has pointed out, by grouping their assets in what I regard as a ridiculous way, bewilder their shareholders still more. At the same time, from the accountant's point of view, I think there are often very considerable difficulties in giving effect to the desires of Mr. Kissan. There is no doubt that the directors are responsible for the drawing up of the balance-sheet, and when it comes before the auditors it is frequently drawn up in a final form. That is not always the case in small companies, but it is generally so in the big companies, and very frequently the directors do not like to alter it, and are not prepared to adopt a recommendation from the auditors to impart more information to the shareholders. There is no doubt that auditors can do something in that direction, but I do not know that they can perform a great deal. On the subject of the appropriation of profits for dividend purposes, I may say that I entirely agree with the Lecturer's remarks and disagree with my friend Mr. Robinson, because I consider that in the accounts of a company the income tax liability should be included. That gives the net figure of profit available for distribution, and against that net figure of available profit I consider the proper course to adopt is to show the net distribution to the shareholders. There is, of course, no objection to stating the gross figure as well, but the profit that is going to be divided amongst the shareholders is a net figure after deduction of income tax. Therefore, I think, the net figure that is going to be distributed should be stated, and the balance appropriated to reserve, or carried forward, should also be shown.

Mr. ADDISON: The Lecturer stated that it was within our power to exercise more influence in getting better balance-sheets. One can appreciate that to some extent, but while

the investing public remains so indifferent, shall we say, to their own rights, they cannot expect the auditors to do what they fail to do themselves. When a company is in a prosperous condition one cannot but be surprised at the small number of shareholders who attend the annual meetings; it is only when something really drastic happens that they get a good attendance of shareholders to take an interest in their own affairs. Until the investing public wake up in this direction I do not think—although our Lecturer suggests that the Legislature could do a great deal—that there will be a great improvement in the form of accounts.

Mr. C. E. WAKELING: I am rather disappointed that our Lecturer did not, during the course of his most interesting lecture, touch upon the 1s. shares which seem now to have become the vogue. One usually finds on a prospectus a statement as to values by competent people and a statement as to recent profits by the auditors. The prospectus starts off with an issue of many thousand £1 preference shares and many million 1s. ordinary shares, and as a rule the issue is fully underwritten. A short period after the lists are closed you get a most extraordinary result. In the first instance, the preference or preferred shares, having priority over the ordinary shares in regard to profits and capital, one would imagine that they would be the first to be sought after. But what do we find? I have a cutting from the *Times* to-day, and I see British Brunswick ordinary 1s. shares were quoted yesterday at 11s. 10 $\frac{1}{2}$ d., and the 7 $\frac{1}{2}$  per cent. £1 preferred shares, which were issued at 20s., stood at a discount of 10 $\frac{1}{2}$ d. Why should there be this discrepancy? It seems to me that the time has arrived when the newspapers should collaborate with the accountants to burst this "bubble"—because in my opinion it is a "bubble." In one prospectus there were 1,800,000 1s. deferred shares issued; the preference shareholders were entitled to take up a 1s. share for each £1 preference share applied for, and the balance of the deferred 1s. shares were taken by the vendors or promoters at 1s. 6d. On the following day these shares were quoted in the papers at 2s. 1 $\frac{1}{2}$ d.; that gives them an immediate profit of 7 $\frac{1}{2}$ d. per share. Do the values justify this? Can anything be done to prevent this cornering of 1s. shares in order to inflate their value? I should like Mr. Kissan to give us his opinion on this.

The CHAIRMAN: I should first of all like to express to Mr. Kissan our appreciation of the honour which he has done us in coming here and addressing this Students' Society this evening. There are few men in the City of London who are better qualified to express an opinion upon the various matters which he has dealt with. The present tendency in company practice in the City, to my mind, cannot fail to be very disturbing both to professional men and to many of those who are engaged in company work. I say that, unquestionably, in many cases there is a failure to recognise the obligations which those directing public companies owe to their shareholders. One of the first obligations of a company that goes to the public and raises big sums of money is to present true balance-sheets and accounts, and they must be, in my opinion, balance-sheets and accounts that contain such information as it is reasonable for shareholders to expect. The constant argument that it is not in the interests of the shareholders that they should have information because competitors may glean some particulars of the business in 99 cases out of 100 is all humbug. You see the argument put forward constantly that directors are entitled to make secret reserves. I think there are few accountants who would be willing to subscribe to such a doctrine. A shareholder is entitled to a balance-sheet showing the real value of the interest he has in a company so far as it can be obtained from a balance-sheet, and, in my opinion, a shareholder who sold his shares on the faith of a balance-sheet that did not show the true position would have a legal right against the directors for any loss he might sustain. It is surprising when one realises how little power the shareholders in a company really possess. The directors who are in control of a company have such power as practically to preclude the shareholders as a body from introducing even representatives on the board. They have the power of advertising when any agitation takes place. They have the company's funds behind them, and in many cases they do not hesitate to apply them in order to defeat quite proper and genuine attempts to introduce reforms and changes on the board. Mr. Kissan referred to the

auditor's powers. I think it is a pity, in the interests of shareholders in public companies, that the auditor does not have greater powers. It is the directors, after all, who settle the form of the balance-sheet; the auditor merely has to report, and when he has a balance-sheet which he has to certify and with which he is not altogether satisfied, he is faced with the difficulty of deciding whether some qualification which he might require to introduce might not seriously damage and affect the interests of the company. Now most of you have read the new Companies Bill, and in that Bill it is the intention, apparently, to increase the auditor's powers and provide for somewhat fuller and better informed accounts to be issued to shareholders. I quite agree that it would be difficult to stipulate for anything like a stereotyped form of balance-sheet, but this new Companies Bill does provide for a general form of balance-sheet. It says that every company shall issue a balance-sheet. And then there is a new feature introduced: it also says that a company must issue a profit and loss account. What stands out so strikingly is this: that whereas the general form of the balance-sheet is laid down, there is no indication even as to what has to be included in the profit and loss account, or what form it has to take. Now if the new Act goes through with those provisions as to the profit and loss account, in my opinion it will be absolutely useless to shareholders. Shareholders have as much right to know how the profit is made up, and the amount of it, as they have to see what the actual financial position of the company is and what its various assets are. Speaking with a fairly extensive knowledge of the working of some of the big public companies, I say that a number of balance-sheets and profit and loss accounts which have come to my notice are nothing less than a disgrace to the City of London. A shareholder in a company is entitled to know what is the *true* profit of the business in which he holds shares. But we constantly see omnibus items—gross profit on trading, profit on investments, rents, and all other sorts of revenue all in one item. I have in mind one big public company which included in its profits for some years a large sum which was derived from a speculation, and the price of the shares on the Stock Exchange was maintained at a figure that it would never have approached if the shareholders and the public had been aware that the profits shown were not profits derived from the real business of the company, but were largely the results of speculations. The Lecturer referred to the valuation of assets in a balance-sheet. That is very difficult for accountants. Floating assets we have no difficulty with—those must be shown at their actual value—but when we come to fixed assets it is impossible for an auditor to express any definite opinion as to their value. Assets such as properties, plant, machinery, etc., must in nearly all cases be stated at cost, and the real index as to the value of those assets is the true profit-earning capacity of the business. If you have a business which is not showing a profit, we as accountants know that the plant and machinery must be worth a very great deal less than it stands at in the balance-sheet if it is stated at cost. On the other hand, if a company is earning a substantial profit, then of course the plant is worth to the business as a going concern its reinstatement value. Take a contentious item like goodwill, about which there is such a difference of opinion. The value of goodwill is directly in relation to the earning capacity of the business, and therefore it is all the more important that shareholders should be provided with true statements of the profit and loss account to show what the real earning capacity of the business really is. The Lecturer referred to dealings in shares by directors—a practice which, within my own experience, is all too common and which cannot be condemned too strongly either by accountants or by anyone engaged in public company practice. It is not the actual dealings that really are so objectionable, but a director who is interested in the market price of the shares is disqualified thereby from exercising that independence of judgment which every director really should observe in regard to the affairs of the company of which he is a director. The Lecturer mentioned a directors' students' society. It is really astonishing to-day what little knowledge is possessed by some directors of public companies as to the duties which they are called upon to perform. An auditor to a company has to undergo years of training, and has to pass searching examinations in order that the public may be properly protected. But anybody

can be a director of a company, and most of you will be aware of the extent to which many directors of public companies are fitted to perform their duties and fulfil their obligations. And when considering that aspect of the case one cannot help contrasting the fees which are paid to directors of public companies for their services and those which are paid to accountants for carrying out the responsible and, I say, very difficult duties of auditors. I am sure you would wish me, on behalf of the Students' Society, to express our thanks to Mr. KISSAN for coming here and lecturing to us this evening. I will now ask him to reply to the questions.

MR. KISSAN: Taking the points as they have been raised—the first speaker said that I referred with approval to the election of accountants as directors. As a matter of fact I did not mention anything about approval. I merely mentioned the fact that they were being appointed; but certainly I think the presence of an accountant on the boards of important companies is very desirable and extremely useful. As to giving details of leasehold properties, I do not think I would go so far as to suggest that. Of course the statements that should be given in a balance-sheet are a matter of degree. I do not suggest that they should include detailed statements of leasehold properties, which, however, might at least be separated from shareholdings in other companies. That, of course, will be done if the Companies Bill is passed. As to the statement in full of profits without deduction of tax, Mr. Robinson suggested that they should be stated in that way, but gave no reason for his opinion. My point about that was that if the tax was put partly with the appropriations for dividends and partly as a separate item—that is to say, the balance as a separate item—it would not show the shareholders exactly how much was being paid in tax. Possibly when the average system is abolished, that may help companies to show what really is paid. One speaker stated that in Government departments the Treasury settles the form of accounts. That seems to me an excellent idea, because the Treasury represent the people—they are the public's watch dogs. But who is to represent the shareholders in laying down a form of accounts for their companies? As to the smallness of shareholders' attendances at meetings, I do not think that is altogether through apathy. Shareholders are usually spread all over the country, and even those who are in London very often find it difficult to attend company meetings in business hours. One company in London last week held its meeting at 8 o'clock in the evening and the meeting was preceded by an organ recital. I do not know if the apathy of shareholders is counteracted in that way—(laughter)—but I think, if there is apathy, there is all the more reason why the accounts, which all of them see, should be as full as possible. I was very much interested in the point raised as to *ls. deferred shares*, but I hardly think it comes within the scope of my lecture. The adoption of *ls. deferred shares* is an approach to the American system of shares of no par value. I presume the real motive is that it reduces the purchase consideration in companies; that is, the vendors, who really fix the purchase consideration, are taking less in the nominal value, but are taking actually as much, if not more, in their share of the profits. That has the effect of making the preferential rights of the preferred shares less valuable, and for that reason it is not surprising to see them go to a discount. At the same time, if a company has speculative possibilities, there is for the same reason justification for purchasing the deferred shares at a premium. But there is another reason, of course, for the apparent discrepancy, and that is that generally the whole of the preferred shares are offered to the public and only a small proportion of the deferred shares, so that the vendors and promoters, who control the bulk of the deferred shares, are practically able to control the market and put the price where they like. I need hardly say it is extremely gratifying to hear the extent to which the Vice-President of your Parent body has supported so many of my remarks. He suggests that your Society has been honoured by my presence here, but I feel it is quite the other way. I sincerely feel that it is a great honour to have been allowed to address you and also to have had in the chair so eminent an authority as Mr. Morgan.

On the motion of Mr. WAKELING, seconded by Mr. ADDISON, the Lecturer was accorded a hearty vote of thanks, and a similar compliment was paid to the Chairman.



## Residuary Accounts.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. J. LINAHAN,  
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. H. M. BARTON, F.C.A.

MR. LINAHAN said: Mr. Chairman, ladies and gentlemen; when your secretary asked me to come here to-night to address you I asked him if I might deal with a subject in which I am personally very much interested, that subject being executorship accounts. He said that this would be quite in order, and I have therefore selected as my subject "Residuary Accounts." I have done this because it is a particular branch of the subject which I do not think has received as much attention on the part of lecturers as it deserves; certainly not as much attention as other branches of the subject which I could mention.

As far as I am aware, the residuary account does not frequently figure in the examination papers of the Society of Incorporated Accountants and Auditors, but I think you will all agree that this fact is no guarantee that it will not do so in the future.

In connection with large estates it is becoming more usual for the services of accountants to be required for the purpose of preparing the estate duty account and the residuary account. It is therefore essential that the accountant be equipped with a thorough knowledge of these accounts and of the law relating to executorship matters generally in order that when called upon he may adequately carry out the duties entrusted to him.

### COMPARISON OF EXECUTORSHIP ACCOUNTS WITH COMMERCIAL ACCOUNTS.

There are many points in which executorship accounts differ from commercial accounts. I should like to draw your attention to a few of them. It is a well-known rule that an executor's income account must not include income which he has not received. The object of this rule is to minimise the danger of the executor paying away more income than he has received. In this respect the principles upon which commercial accounts are prepared are quite different. It is probably for this reason that solicitors generally prefer accounts which are prepared on a cash basis to accounts which take account of outstandings.

Although the rule to which I have referred is undoubtedly a "safe" one for an executor to adopt it does not bind the Inland Revenue Authorities. The executor who sends them a residuary account prepared on a cash basis will find that it is returned to him with a request that he will insert the accrued income to the date of the account which is not accounted for in the valuations of the assets.

Another illustration of the differences between executorship accounts and commercial accounts lies in the necessity in the former for the apportionment of receipts and payments as between capital and income.

As in the majority of commercial accounts so in the majority of executorship accounts, the underlying principle is that known as "double entry."

### COMPARISON OF ESTATE DUTY ACCOUNTS WITH RESIDUARY ACCOUNTS.

There are a number of points in which estate duty accounts and residuary accounts are similar and dissimilar. I should like to draw your attention to a few of them. Wherever it becomes necessary to render a residuary account it will have

been necessary at some earlier date to render an estate duty account. The latter, as its name implies, is the account which has to be rendered before the Inland Revenue Authorities can assess the estate duty payable by the personal representative. The assets and liabilities must be valued according to the principles which have been laid down.

The figures required for the Inland Revenue affidavit for estate duty are taken from the estate duty account, and the former document must be sworn by the personal representative. For these reasons the valuations should be as accurate as possible. Should they afterwards be found to be inaccurate the necessary adjustments may be made by means of a corrective affidavit upon which any additional estate duty, or refund of estate duty overpaid, will be assessed.

For the purpose of opening the trust books the valuations made for the estate duty account are usually adopted, and the adjustments, if any, required to be made by means of the corrective affidavits are dealt with by journal entries from time to time.

### VALUATIONS OF ASSETS AND LIABILITIES.

For the purpose of the estate duty account the valuations of assets and liabilities have to be made as on the date of death. For the residuary account the valuations of assets and liabilities, if any, have to be made as on the date of retainer. The "date of retainer" may briefly be explained as the date to which the residuary account is prepared. The principles upon which the valuations of assets and liabilities are made are the same, whether they are for the estate duty account or for the residuary account.

It is usual to fix the date of retainer as soon as possible after the debts and expenses and legacies, pecuniary and specific, are paid and satisfied respectively. It is obvious, therefore, that the date of retainer must depend upon the circumstances of each estate. In the case of simple estates it may be possible to deal with the residuary account within a very short period following the date of death. If the assets are complicated in their nature, or the liabilities are difficult to ascertain or agree, a much longer period may have to elapse before the date of retainer can be fixed.

### ACCOUNTS REQUIRED BEFORE THE RESIDUARY ACCOUNT CAN BE PREPARED.

From the fact that revaluations are necessary for the purposes of the residuary account it will be obvious that all the information required for the latter will not be found in the trust books. In order to facilitate the preparation of the residuary account it is advisable to arrange for the accounts of the trust from the date of death to be made up in the following form. If this method is adopted the accounts can be forwarded to the beneficiaries in this form, and later on, when the duty on the residue has been paid, they can be supplied with supplemental accounts.

The suggested form of accounts is as follows:—

- 1.—Summarised cash account showing receipts and payments of a capital nature distinct from income moneys.
- 2.—Capital account showing commencing book value of estate, additions thereto and deductions therefrom.
- 3.—Income account showing income received and payments thereout. It is usual for a supplemental statement of the dividends received to be prepared, showing the total amounts, the capital proportion, and the income proportion. The total of the column dealing with the income proportion can then be carried to the credit of the income account.
- 4.—Statement showing in columnar form the assets at the date of death at the probate valuation, realisations thereof, together with surpluses and deficiencies arising

therefrom, receipts in respect of accrued income to the date of death, purchases of investments made by the personal representative, and the book value at the date of retainer. This statement is, therefore, really an analysis of the investment and other asset accounts in the ledger.

#### 5.—Balance-sheet at date of retainer.

The unrealised assets will have to be revalued as at the date of retainer, but it is not usual in practice to write up or down the book values of the assets in order to agree them with the residuary account figures. A note should, however, be made of the difference between the total value on revaluation and the book value of the unrealised assets, this being required for a reconciliation statement, to which I will refer later on.

#### DEFINITION OF RESIDUARY ACCOUNT.

I think the residuary account might be defined as "that statement in official form which has to be filed with the Inland Revenue Authorities in order that the legacy duty payable on the residue of an estate may be ascertained."

The official form is that known as Form No. 3. I propose to deal with it in detail after we have considered several important points which must be borne in mind in deciding whether it is necessary in particular cases to prepare a residuary account.

#### THE DUTY PAYABLE ON A RESIDUARY ACCOUNT IS LEGACY DUTY.

This is a point which must be clearly grasped. I have already referred to the estate duty account and to the estate duty which is payable on rendering the same. It is a graduated stamp duty payable out of the capital of the estate, the rate varying according to the total value of the estate after deducting any debts and encumbrances thereon at the date of the death of the deceased person. It does not matter what the relationship of the deceased was to the beneficiaries. It does not matter whether or not they were related to the deceased—the rate of estate duty is determined by the net total value of the estate of the deceased.

The duty payable on the residuary account is, as I have stated, legacy duty, and the method of its calculation is quite different from that adopted in the case of estate duty. If pecuniary or specific legacies are given by the will, the duty thereon must be accounted for on the appropriate forms. The duty payable on the residuary account is calculated on the value of the legacies of those legatees who take the residue of the estate, other than real estate and leaseholds, not directed by the will to be sold. In respect of real estate and leaseholds not directed by the will to be sold, the duty payable is succession duty, and such property will not therefore be entered in the residuary account.

#### RATES OF AND EXEMPTIONS FROM LEGACY DUTY.

You will recollect that the rates of legacy duty depend upon the relationship of the beneficiary to the deceased person, but if a beneficiary has been married to a wife or husband of nearer relationship to the deceased than himself or herself such beneficiary is entitled to be treated as if he or she were of the same relationship to the deceased as the spouse.

The rates payable are:—

By husband or wife or lineal ascendants or descendants .. .. .	1 per cent.
By brothers and sisters of the deceased and their descendants .. .. .	5 per cent.
By all other persons .. .. .	10 per cent.

There are certain exceptions, and before the preparation of a residuary account is undertaken it should be ascertained whether all the beneficiaries who are residuary legatees come

within these exceptions, either on the ground of their relationship to the deceased or owing to the size of the estate.

If some of the residuary legatees are exempt but others are not exempt the account will have to be prepared and the duty payable will be assessed on the shares taken by those beneficiaries who are not exempt. In such cases great care must be taken to see that the amount paid in respect of duty is properly carried to the debit of the accounts of those legatees who are not exempt.

The following are the exemptions from legacy duty which require to be borne in mind in considering the residuary account:—

1.—If the deceased person was domiciled abroad—whether the property passing is situated in Great Britain or not. The foreign domicile will have to be proved to the satisfaction of the Inland Revenue Authorities and in practice this is no easy matter in many cases. This exemption does not apply to leaseholds. The principle under which exemption is allowed under this heading is that movable property is deemed for legacy duty purposes to be situated in the country in which the deceased died domiciled.

2.—Legacies payable out of small estates:—

- (a) If the net value of the estate without including aggregable property settled otherwise than by the will of the deceased does not exceed £1,000.
- (b) If the gross value of the estate, whether real or personal, does not exceed £500.
- (c) If the estate is less than £100 in value.

3.—Legacies to the Royal Family and to certain public bodies and bodies corporate.

4.—Leaseholds; these being subject to succession duty.

In cases where the rate payable would in the ordinary course have been 1 per cent. there are the following further exemptions:—

1.—If the net value of the estate for estate duty purposes as at the date of death of the deceased does not exceed £15,000. In arriving at this net value one is allowed to omit:

- (a) Property in which the deceased never had an interest; and
- (b) Property of which the deceased was never competent to dispose, but which passes on his death provided, that such property passes to persons other than the husband or wife or a lineal ancestor or descendant of the deceased.

2.—If the total value of all the legacies or successions derived by the one person from the deceased does not exceed £1,000.

3.—If the total value of the benefits derived by (a) the widow of the deceased, (b) an infant child of the deceased, does not exceed £2,000.

Under these provisions a widow of the deceased is placed in a more advantageous position than a widower of the deceased as she is exempt from legacy duty if the total value of her interest does not exceed £2,000, while he is exempt if the total value of his interest does not exceed £1,000.

#### FORM OF RESIDUARY ACCOUNT.

Having dealt with certain of the more important points to be considered in practice before the preparation of a residuary account is undertaken, I think we might now consider the actual form of the residuary account.

There are two official forms of residuary account in use, known respectively as Form 3 and Form 3-1.



The latter is used when it is necessary to pay legacy duty on the residue of an estate owing to the death of a life-owner or the determination of a limited interest under a will. It consists of a one-page document, printed on both sides and in many respects it is similar to the ordinary legacy duty receipt form.

Form 3 is a much more involved form, and it is with it that I propose to deal in detail to-night. It consists of three sections, each of which is known as an account.

Account No. 1 is the capital account of the deceased's estate, exclusive of real or leasehold property not directed to be sold.

Account No. 2 is the income account section, and shows the income subsequent to the date of death derived from the property included in Account No. 1, together with a statement of the various payments made thereout—so far as not deducted in Account No. 1.

Account No. 3 is a summary of the totals of the other accounts, from which are deducted any amounts retained to pay outstanding debts or legacies. It, therefore, shows the total value of the property constituting the residue and the amount on which legacy duty is payable.

Form 3 is used in connection with the estate passing upon the death of a testator or intestate person, as distinguished from that which passes or is deemed to pass on the death of a life owner, or the determination of a limited interest under a will. If the property passes absolutely to a residuary legatee or to residuary legatees, the duty payable will be assessed upon the capital value of the residue as shown in account No. 3 of the residuary account. If it passes to one or more tenants-for-life or limited owners, and upon their death or the determination of their interests to persons liable at different rates, it is usual for the legacy duty on the residue to be assessed upon the capital value of the interests of the limited owners, this value being determined by their expectation of life. In such cases the income received by the personal representative need not be shown in the residuary account, as the information which is required to enable the assessment to be completed is as follows:—

- (a) The capital value of the estate;
- (b) The present ages of the limited owners;
- (c) The rate of interest receivable on the capital value.

If upon the determination of the interests of limited owners the property passes to persons liable at the same rate as such limited owners, it is possible in the first instance to arrange for the legacy duty on the residue to be paid upon the capital value of the estate instead of on the value of the interests of the limited owners. This "frees" the estate from the liability for legacy duty which would otherwise arise upon the passing of the estate to the residuary legatees, who take the property upon the determination of the interests of the limited owners, and obviates the rendering of a residuary account in Form No. 3-1 when such interests determine.

#### ACCOUNT NO. 1—THE CAPITAL ACCOUNT.

This is divided into two sections; sect. 1 deals with receipts and sect. 2 with payments.

Sect. 1, which deals with receipts, is a statement in tabular form, having five columns headed as follows:—

Number of item, column 1; Description of property, column 2; Date either of sale or valuation, column 3; Value of property not converted into money, column 4; Money received and property converted into money, column 5.

In this section there are altogether 29 items, and it should be possible to classify all the capital receipts and all the values of the unrealised assets under these items.

Item No. 1 is "Stocks or Funds (including Exchequer Bills) of the United Kingdom." The total value of any holdings of this nature by the deceased which have not been realised should be inserted in column 4, and the total amount realised from the sale of such stocks or funds should be included in column 5. In column 3 a note should be made of the date of sale, if any sales have taken place, or the date of retainer if all such holdings have not been realised, in which case the unrealised assets will have been revalued as at this date.

Where there are numerous items making up the totals it will be necessary for detailed schedules to be attached. In the case of realisations it is the net amount received from the stockbrokers after deducting brokerage and stamps which is included. The unrealised stocks or funds must be valued at the lower of the two closing prices on the day of retainer plus one-quarter of the difference between the two prices.

If the quotations of the stocks or funds are *ex div.* on the day of retainer the accrued dividend or interest which has recently been deducted from the *cum div.* price must be included in the residuary account, the proper place being the income account section (account No. 2).

If the quotations are *cum dividend* on the day of retainer the accrued dividend or interest is deemed to be included in the price quoted and no addition in respect of accrued dividend or interest is therefore necessary. The basis of valuation is the same as that adopted for the estate duty account.

Item No. 2 deals with stocks, funds or bonds of foreign countries, or of British Dominions, or of municipal or other corporations transferable in Great Britain. The procedure in filling in the value of holdings of this nature held by the deceased and realised by the personal representative will be the same as in the case of item No. 1. The procedure in dealing with holdings of the deceased which have not been realised will also be the same as in the case of item No. 1.

Items Nos. 3 and 4.—These deal respectively with stocks or other securities of county councils in Great Britain, and stocks, shares and debentures, &c., of companies. The procedure in filling in the figures in respect of these items is the same as that adopted in dealing with items Nos. 1 and 2.

Item No. 5.—This deals with the accrued proportion of dividends which have been received up to the date of death of the deceased. In dealing with the accounts required to be prepared to facilitate the completion of the residuary account, I referred to a statement in columnar form showing, among other things, the accrued interest received. The amount required to complete item No. 5 will be the total of the column in this statement which is headed "accrued interest." The difference between the total dividends and interest received and the accrued interest to the date of death will be included in the income account section of the residuary account, which we will consider later.

Item No. 6 is cash in hand. The amount in hand at date of death will be ascertained from the estate duty account.

Item No. 7 deals with cash at bank at date of death. The amounts on drawing and deposit accounts should be shown separately, together with any interest accrued thereon to the date of death.

Item No. 8 deals with the money due to the deceased secured by mortgages on property together with the interest accrued thereon to the date of death.

Item No. 9 deals with moneys due to the deceased on bonds, bills, promissory notes and other securities, together with interest to the date of death.

Items Nos. 10 and 11 deal respectively with book debts and other debts.

Item No. 12 deals with the unpaid purchase money of real and leasehold property which had been contracted to be sold during the lifetime of the deceased, together with the accrued income to be added to the consideration calculated to the date of death.

Item No. 13 deals with the value of the deceased's interest in the proceeds of the sale of real property directed to be sold by settlement or by the will of some other person, whether actually sold or not.

Item No. 14 deals with personal property over which the deceased was entitled to an absolute power of appointment which he has exercised by will.

Item No. 15 deals with policies of insurance on the life of the deceased, together with bonuses thereon.

Item No. 16 deals with policies of insurance on the lives of other persons which were owned by the deceased. Their saleable value must be included. This is not necessarily the surrender value as at the date of death of the owner of the policy, although in most cases this is the value inserted where the policies have not been realised.

Item No. 17 deals with household goods and other similar property of the deceased. If they have been sold the gross proceeds must be entered, and the deductions therefrom in respect of expenses of sale should be included in the payments out of cash capital.

Item No. 18 comprises stock-in-trade, live and dead farming stock and agricultural implements. In these cases also the gross proceeds of sale must be entered, and the expenses included in the payments out of cash capital.

Item No. 19 deals with the goodwill of any trade or business owned by the deceased, and the profits to date of death.

Item No. 20 deals with ships owned by the deceased; also shares in ships and profits therefrom to date of death.

Item No. 21 deals with the value of the deceased's share in real and personal property of any partnership business in which he was interested. Under the Partnership Act, 1890, a share in real property belonging to a partnership is personalty, and this accounts for the inclusion of the value of the deceased's share in real as well as in personal property in the residuary account. A balance-sheet must be attached to the residuary account and it should be signed by the surviving partner or partners.

Item No. 22.—This deals with leasehold property directed to be sold. If a sale has been effected it is the gross proceeds which should be entered. The expenses of sale will be included in the payments out of cash capital. The direction for sale will appear in the will. It is quite usual to find that the residue of an estate is given to trustees on trust for sale. This means that as soon as possible without incurring undue loss the estate is to be realised and if the residue includes real property the direction for sale applies to it also.

Item No. 23 deals with the accrued proportion of the rents of real and leasehold property belonging to the deceased calculated to the date of his death. A schedule should be attached showing how the total amount is made up.

Item No. 24 is somewhat similar to No. 23, but instead of dealing with income from real and leasehold properties belonging absolutely to the deceased, it deals with the income apportioned to the date of death arising from property of

which the deceased was tenant-for-life; that is, property in which he had an interest other than absolute ownership.

Item No. 25 deals with the interest of the deceased in property to which he will become entitled upon the death of other persons. This is known as an interest expectant. It is necessary to give full particulars of the trust instrument under which the interest arises. This may be a will or a settlement. In the case of the former the full name and date of death of the testator must be given; also the date probate of the will was granted and the place at which it was granted. If the interest arises under a settlement, the date of the deed must be given and also the names and addresses of the trustees.

Item No. 26.—If the estate of the deceased included any other property which could not be included under items Nos. 1 to 25, particulars of such property must be given and the value of the interest shown under this heading.

Having filled in the figures relating to the first 26 items of the account it is necessary to add together the figures shown in columns 4 and 5 in order to ascertain the total capital value of the personalty in Great Britain other than leaseholds not directed to be sold. The total of column 4 will represent the value of the unconverted personalty, and the total of column 5 the total sum received in respect of personalty which has been converted into cash. Items Nos. 27, 28 and 29 must be dealt with before completing the first section of account No. 1.

Item No. 27 deals with moveable personal property situated out of Great Britain.

Item No. 28 deals with real estate directed by the will to be sold.

In both these items the same method as adopted in the case of items 1 to 25 will be applicable. If the property has been converted the gross amount received will be entered in column 5, while the expenses of sale will be included among the payments out of cash capital. If the property has not been converted the value at the date of the account must be entered in column 4. If there are numerous items making up the totals detailed schedules should be attached.

Item No. 29 deals with investments made since the date of the death of the deceased. If any of these have been sold the proceeds will appear in column 5, and the value at the date of the account of those which have not been sold will be entered in column 4. Schedules will undoubtedly be necessary showing how the totals are made up.

After item 29 it is necessary to add together the amounts entered in column 4 in respect of items 1 to 26 (already totalled) and those entered in respect of items 27 to 29. From this grand total should be deducted the value of specific stocks which have been transferred to beneficiaries. The legacy duty on these will be accounted for on a separate form and not dealt with through the residuary account. The balance left in column 4 must then be carried to account No. 3, which is the summarised account of the estate, as I have already stated. The total of the items entered in column 5 must be ascertained. Unlike the total of column 4, however, it is not carried to account No. 3. It represents the cash capital of the estate, but it is obviously the gross cash capital. From it the payments made thereout must be deducted. These payments must be classified in sect. 2 of the capital account under the following headings, schedules being attached where necessary:—

(a) *Probate or Administration Expenses.*—These consist chiefly of valuation fees, solicitors' costs, and accountants' charges, together with the estate duty. Estate duty on real estate not included in the residuary account must not be included. The reason for this is obvious. The real estate in



question is subject to succession duty and not legacy duty. Therefore it need not be included in the residuary account. In calculating the succession duty payable on real estate a deduction from the value is allowed in respect of the estate duty paid thereon. If, therefore, the personal representative were also allowed to include the estate duty paid on such realty in the residuary account the effect would be to allow a double deduction, which is not reasonable. In spite of this I have found that many students omit to exclude from the payments the estate duty on realty not included in the residuary account.

(b) *Funeral Expenses.*—These will be as shown in the estate duty account, and comprise, in addition to the undertaker's account, the cost of the grave if paid for by the personal representative, but not expenditure incurred in erecting a monument unless this was authorised by the will of the deceased.

(c) *Executorship and Administration Expenses.*—These include the cost of upkeep of property until it is handed over to the legatees, expenses of sale of assets, accountancy and legal fees, and also brokers' and valuers' fees.

*Debts due by the deceased* are classified as follows:—

(d) Debts on simple contracts due at the date of death.

(e) Debts on mortgage with accrued interest to the date of death less income tax at the current rate.

(f) Debts on bonds or other securities with interest accrued to the date of death less income tax at the current rate.

(g) *Pecuniary Legacies.*—The legacy duty on these being accounted for on separate legacy duty account forms, it follows that they must be deducted in ascertaining the value of the residue in which the residuary legatee is interested. Detailed schedules will be required in most cases. If the legacies are free of duty the actual total amount paid in respect of legacy plus duty must be shown. Legacy duty is not payable on legacy duty where a legacy is given free of duty except where there are insufficient assets to pay all the legacies in full and abatement becomes necessary. In the case of "free of duty" legacies the Revenue Authorities therefore "lose" the duty on the duty because in the residuary account the personal representative is allowed to deduct not only the legacy upon which he has paid legacy duty but also the legacy duty which he has paid.

(h) *Amount expended in Investments since the date of death of the deceased.*—In dealing with sect. 1 of the capital account I mentioned that item 29 represented the value of investments made since the date of death of the deceased. If any of these had been sold the proceeds had to be included as a receipt, and if they were unsold it was necessary to include their value in the same way as the value of unsold investments made by the deceased. It is, therefore, only reasonable that a deduction from the cash capital should be allowed in respect of the money expended by the personal representative on the purchase of investments. The effect of dealing in this way with the investments made since the death of the deceased is of course to bring into account for legacy duty purposes any surplus on the sale or revaluation of such assets and to bring in as a deduction any deficiency on the sale or re-valuation of such assets.

(i) The last item in sect. 2 deals with the sums advanced to the residuary legatees out of moneys received upon which legacy duty has been accounted for on separate legacy duty account forms.

The total of these various items gives the total payments out of cash capital, and this total is deducted from the amounts received on the conversion of assets, the balance remaining being carried to Account No. 3.

#### ACCOUNT No. 2.—THE INCOME ACCOUNT.

There are two sections in this account. Sect. 1 deals with the income subsequent to the date of death in respect of items included in the capital account (account No. 1). The income received and that accrued due to the date of the residuary account (except where the valuation of the assets unconverted includes the accrued income) must be included. The following are the headings under which this income has to be classified. Schedules should be attached where necessary:—

(1) Dividends declared, received and accrued due on stocks, shares, &c., up to the date of the account, or if sold to the time of sale.

(2) Interest actually earned since the date of death in respect of cash balances and, so far as interest has not actually been earned, interest at 4 per cent. per annum upon the balances of cash in hand from time to time, calculated from the end of the executor's year up to the date of the account.

This will consist generally of interest allowed by banks on current and deposit accounts. The item appearing in the residuary account will serve to remind the personal representative of his liability if he has allowed trust money to remain uninvested. He will be liable to account for interest at 4 per cent. per annum on any such uninvested capital.

(3) Deals with interest on mortgages, bonds, &c., to the date of the residuary account. As I have stated, the accrued interest to date must be included except where the valuation of the asset is *cum div.*

(4) Deals with the profits to the date of the residuary account from any business forming part of the deceased's estate. These are income of the estate, and must therefore be included under this heading.

(5) Rents of real and leasehold properties directed by the will to be sold must be included under this heading. In the official form it is stated that if the property has been sold the amount to be included is the rent to date of sale; if it has not been sold the rent accrued and accruing due to the date of the residuary account is to be included.

(6) Any other income from property not included under the headings I have mentioned is to be included under this heading. The income from such property apportioned up to the date of sale is to be included.

(7) It sometimes happens that vested or contingent legacies are given under such circumstances that the legatee is not entitled to the income from the moneys set aside to meet these legacies when they become payable. Any income of this nature which is receivable by the residuary legatee must be valued and included under heading No. 7. This can only arise where moneys have been set aside to "answer" legacies at the date when the residuary account is prepared.

The total of the amounts entered under these seven headings gives the total income receipts for the purpose of the residuary account.

Sect. 2 of the income account deals with the payments made out of income. There is a note in the official form to the effect that it is only payments out of income which have not already been deducted in the "payments out of cash capital" section of the capital account which can be deducted.

The payments are classified under the following headings, and where necessary schedules showing details should be attached:—

(1) Interest on mortgages, bonds, &c., due from the estate.

(2) Interest on pecuniary legacies.

(3) Payments on account of annuities.

(4) Dividends on specific stocks, &c., bequeathed or transferred in specie to legatees, duty on which is accounted for on separate legacy duty forms.

(5) Other payments. In the accountancy text-books interest on estate duty generally appears under this heading, but in practice it is frequently found included in the probate or administration expenses together with the estate duty.

The total of the amounts entered under these five headings gives the total payments out of income and it is deducted from the total income receipts. The balance is carried to account No. 3. As I have already stated, account No. 3 is the summary account which shows the amount upon which legacy duty is payable.

#### WHEN LEGACY DUTY IS PAYABLE BY INSTALMENTS.

Where the residue does not pass absolutely at once or it is settled on various persons in succession, and all such legatees are not liable at the same rate, it becomes necessary to have the duty calculated upon an annuity basis. In such cases the ordinary rules regarding the payment of duty on annuities apply. The first instalment is due at the end of the executor's year, the second at the end of the second year succeeding the date of death, and so on.

If it is desired to pay the duty in full at once this may be done, discount at 4 per cent. per annum being allowed. The average date adopted for the purpose of the calculation is two-and-a-half years from the date of death.

If the life-tenant dies before the expiration of the first four years succeeding the date of death of the deceased, provided the instalments then due are paid, no further payments need be made.

If the duty has been paid in full under discount and the life-tenant dies before the expiration of the four years' period a refund may be obtained, so that one does not necessarily lose by paying the duty in a lump sum under discount.

It must not be forgotten that legacy duty on a life interest is payable out of income (unless, of course, the will provides otherwise), whereas legacy duty paid on the capital value of an estate is a charge upon that capital unless the will provides otherwise.

#### MISCELLANEOUS RELIEFS.

1.—*Marginal Relief.*—By the Finance Act, 1914, it is provided that if the net value of the realty and personalty upon which estate duty is payable—but not including property settled otherwise than by the will of the deceased—exceeds £1,000, the amount of legacy and succession duty payable in respect of the property shall not exceed the amount by which the net estate exceeds £1,000.

Unless the whole estate in such cases passes to the same person it is necessary for the personal representative to apportion the duty payable as between the various beneficiaries liable to legacy and succession duties. The authorities refuse to undertake this difficult and thankless task, and their practice in such cases is to assess the combined duties on a special form.

2.—*Death Duties (Killed in War) Act, 1914, as extended by Finance Acts 1915, 1917, 1918, 1919.*—Under these Acts it was provided that if the total estate passing to the widow, lineal descendants, lineal ancestors, or brothers or sisters or their descendants, did not exceed £5,000 no legacy duty was payable in the circumstances in which these Acts applied.

It was also provided that where the property so passing exceeded that sum the first £5,000 was free of legacy duty, and the legacy duty (if any) on the rest of the estate was to be discounted for the period which the deceased would have lived if he had enjoyed the normal expectation of life.

By the Finance Act, 1915, it was provided that if property passed more than once owing to deaths caused by the war, the whole of the legacy duty which would otherwise have been payable on the second death was remitted irrespective of the relationship of the legatee to the deceased and no matter whether they were related or not.

#### RECONCILIATION STATEMENT.

When the total figure of the residuary account has been arrived at, it is usually advisable to prepare a statement reconciling this with the capital and income account balances of the trust as shown by the accounts prepared for the purpose of facilitating the preparation of the residuary account. Account will have to be taken of the surplus or deficiency on re-valuing the assets, and also of the payments to life-tenants.

#### PAYMENT OF THE DUTY.

This should be effected as soon after the date of retainer as possible. If a delay exceeding 21 days takes place interest will be charged at 4 per cent. per annum, on the duty and no deduction for income tax will be allowed from that interest. For super tax purposes the interest on estate duty and on legacy duty duly "grossed" is allowed as a deduction from taxable income.

You will recollect that certain Government securities will be accepted at certain values in satisfaction of death duties, which term includes legacy duty on a residue. At the present time the only stock which it pays to surrender is 4 per cent. Victory Bonds stock. This is accepted at par plus accrued interest to date of surrender subject to certain conditions, the most important of which is that the Bonds must have been held by the deceased for at least six months prior to the date of death. There is one peculiar feature with regard to this accrued interest on Victory Bonds to which I should like to draw your attention. The interest which is paid on them on the usual half-yearly interest dates is subjected to income tax at the standard rate. When the Bonds are surrendered in payment of death duties, it is the gross accrued interest which is allowed in addition to the face value of the bonds. It is doubtful whether the personal representative is accountable for tax on the interest. The Revenue Authorities have claimed it in many cases recently, and I understand that in one case an appeal was lodged several years ago, but that the Authorities have not yet made arrangements for it to be heard.

It appears rather an extraordinary position that if the tax is properly payable the estate duty authorities are not instructed to deduct it before issuing a receipt for the death duty in payment of which the bonds are tendered.

It also appears that particulars of all bonds surrendered in satisfaction of death duties are now supplied by either the Bank of England or the estate duty authorities to the income tax authorities, with the result that applications are being received by many personal representatives who have recently transferred such bonds to the authorities demanding income tax on the accrued interest allowed in addition to the face value of the bonds. As the applications are not always sent out at once it is quite possible for a personal representative to distribute an estate without providing for this additional liability. It is therefore advisable to retain enough to pay the claim should it be upheld, and appeal against the assessment on the ground that the Income Tax Acts do not impose a liability on personal representatives for tax on the accrued interest allowed when the bonds are transferred. The decision in the case of *Wignmore v. Summerson* might be quoted as in point on the ground that the transaction is in effect a sale to the Government between two interest dates.



## CONCLUSION.

I referred to the necessity of an accountant possessing a knowledge of executorialship law. Please do not think that in suggesting that the accountant should possess a good knowledge of the law of executorialships I in any way meant to imply that he should compete with the trust solicitor.

It has been truly said that the two professions of law and accountancy are complementary and that they cannot therefore be competitive.

If he is himself appointed executor the accountant who has passed our Final examination and worked through the course of study necessary to fit him for the requirements of the examination syllabus in this subject will, in my opinion, have learnt enough executorialship law to warn him, when difficulties involving legal points arise, that the opinion of a solicitor is not only advisable but essential if he wishes to avoid trouble.

## Discussion.

The CHAIRMAN: I am confident that we have all listened with the greatest interest to Mr. Linahan's address, and I am sure that if any student here to-night had to enter the examination hall to-morrow and was given any question on residuary accounts, he would be able to answer it and obtain full marks. Undoubtedly there were certain points which were not altogether clear to some students present. I do not want to anticipate anything you may wish to say by way of observation or inquiry, but I would like to give this advice to every student, viz. that at the earliest opportunity he should obtain a copy of the forms Mr. Linahan has been speaking of—Form 3 and Form 3-1—and he should study them carefully, and in that way derive the greatest benefit from what he has heard.

Mr. L. T. COLENS, Incorporated Accountant: There is a point I would like some information upon. When an estate is settled on several persons in succession and you do not pay the same rate of legacy duty in each case—how is the duty assessed? You value the assets and you have the income of the estate, and duty is assessed according to the life interest. I understand that, but when the first tenant dies how do you assess the second? Do you take the same valuation and the same income, or re-value? There is another point. When you pay residuary legacy duty you pay on the income up to the date of the account; but if the executor prolongs the date of retainer, in order to make a very much higher charge to capital, is any of the duty chargeable to income? Instead of paying it at the end of the first year, he, perhaps, delays it for five years, in which case the charge to capital would be very much higher, to the detriment of the reversioner, as compared with what it would be if it were paid a year after death.

Mr. D. F. GOODS, Incorporated Accountant: I should like to say how much I have enjoyed Mr. Linahan's lecture, and I feel quite sure that when we see it in print in the *Incorporated Accountants' Journal*, as I hope, and certainly in the "Transactions," we shall glean more information and knowledge from it than we have been able to do in the short time this evening. Mr. Linahan mentioned at the outset that the subject of residuary accounts had not been given the attention which, perhaps, it deserves. I often think that is probably because, as a rule, the solicitors acting for the trust prepare the residuary accounts, and the accountant takes no part until audit. When the accountant (particularly the younger men) sees those delightful forms and the voluminous schedules that are attached, he often gets alarmed at the task before him. Probably the examiners, having gone through the experience themselves in their younger days, have a little sympathy with the students. There are three points I would like to touch upon. One is the question of dividends where the investment is valued *ex div*. Mr. Linahan said that the dividend had to be brought in as well as the price. One should see first of all that it is not already in; I have often come across cases where the investments have been valued *ex div*, and the dividend has been paid to the testator before his death. Such dividend has been brought in again, so that the death duties thereon have been paid twice. Another point is in regard to the 5 per cent. War Stock and a few similar

stocks. The terms of issue distinctly laid down that the bonds should be exempt from all British taxation, present and future, &c. Does the word "taxation" there include the death duties? Another matter I would like to mention is in connection with the 1 per cent. legacy duty. Frequently in a large estate at any rate—where the estate is left on trust for infants until they are 21 or 25—considerable sums may be paid on account of their maintenance. I believe it is the practice, where it is obvious that the total benefits will be more than £2,000 or £1,000, to assess those benefits as they occur. I think the practice is to do so from year to year.

Mr. W. ADDISON: How would you deal with an estate which was left in trust for life tenants, and they did not pay, as our Lecturer said, on the basis of an annuity, the legacy duty, but paid duty each year according to the income? When would it be necessary to stop giving corrective affidavits? And supposing the residuary account has been prepared and legacy duty paid on it, what would the executor have to do if further property came to light?

Mr. H. E. COLESWORTHY, Incorporated Accountant: Would Mr. Linahan tell us whether there is any accepted formula for the valuation of shares in private companies, or whether it is a case of getting the best valuation you can, and in the event of the Inland Revenue Authorities disputing your valuation, gradually working down to an agreed figure. I refer particularly to the goodwill value of the shares.

Mr. W. D. ELGAR, F.C.A., Incorporated Accountant: On the question of income tax with regard to the residuary part of the estate, I believe the income falling into the residuary account is capitalised so that the beneficiary is not liable to super tax. I know two or three cases have been brought up. I refer principally to *Dr. Barnardo's* case and that of *Herbert v. Commissioners of Inland Revenue*. It is very important, I think, that we as accountants should take note of the fact that until the residue is distributed the income therefrom is capital, so far as the beneficiary is concerned, and he is not assessable to super tax thereon.

Mr. S. E. STRAKER: The Lecturer said that in practice interest on estate duty is included in the probate expenses, which are capital, along with the estate duty. I should like him to make it quite clear that the interest is an income charge and not a capital charge, no matter to which account it is posted in the first place.

Mr. H. DE RUSSETT, Incorporated Accountant: I should like to raise one point, and that is with regard to dealing with the distribution of income under the estate where the residuary (a widow, say) has a life interest in it. In giving authority, as one of the trustees, to the Bank of England about 5 per cent. War Stock and authorising the Bank to send the dividends direct to the beneficiary, there seems to be no certain rule as to what is the attitude of the trustee in that distribution. I had a bit of a scare some time back. I had a fair amount of 5 per cent. War Stock to deal with, and I gave a dividend mandate to the Bank of England. As a result, the Bank posted the warrants direct to her, without the tax being deducted. She used the whole of the money and did not trouble about the income tax. I called at Somerset House and said "I am the trustee; what is my position?" They produced an official document stating that the attention of all trustees should be drawn to the possibility of their being asked to account for payment of income tax on 5 per cent. War Loan which is not deducted at source. I afterwards called at the Bank of England, and they said I need not trouble about that at all, but leave it to the beneficiary to return it. On winding-up the estate I took the precaution to obtain a receipt from each one of the children that I should not be held liable for any claim for payment of income tax on dividends which their mother had had; I thought that the easiest way to exempt me from any possible liability. There seems to be no definite decision on the point. One other point crops up; that is, where a trustee had a large amount of income from rents on leasehold property. In order to show a satisfactory balance of income, the trustee had been somewhat niggardly in attending to repairs, and towards the end of the lease he would not spend anything more than he could possibly help. He generally incurred a very small expense for repairs. When he thought of selling the property he was notified by the local authorities that considerable repairs and dilapidations must receive immediate

attention, and he carried out and made good. He decided to sell the houses at a low figure, with the result that there was a considerable shrinkage of capital. The income tax people told me that his best plan would have been to disburse the amount as assessed under Schedule A, but it was rather too late in the day to claim a refund from the beneficiaries. The shrinkage of capital could not be charged against income, but a reserve might have been made for depreciation and additional repairs instead of distributing the entire income. I agree with our Lecturer that in these technical legal matters it is far better to call in a solicitor and be guided by his opinion rather than land yourself in a difficulty, however much you may desire to benefit somebody else. My own opinion is that if you reserve sufficient of the income account to provide for any possible dilapidations or exceptional repairs, you are certainly justified in doing so.

**MR. ELGAR:** Might I ask my friend, who is an old student of this Society, how did the beneficiary make a return of the income from the War Loan?

**MR. DE RUSSETT:** I understand she made no comment about it to her husband; she was short of cash and had spent the money. I asked the husband, who told me that he did not know that his wife had any dividends from War Loan at all, so did not include the income in his return.

**THE CHAIRMAN:** What has been said by the various speakers has proved very profitable, because they have touched upon some most interesting points—in fact, I think you have given sufficient matter for another lecture by Mr. Linahan on a future occasion. Speaking to you as accountants, or would-be accountants, I would say never forget, when you have an estate account before you, to look at it from the taxation standpoint; make quite sure that any liability to the Revenue Authorities, such as tax on gross interest, has been provided for. That has been touched upon to-night by the Lecturer and by one or two other speakers, and it has recalled most vividly to my mind that it is a point which on occasions has caused a great deal of subsequent trouble to accountants. There is one other point I would like to mention, and that is the question raised by Mr. Colesworthy, who invited Mr. Linahan to explain to us the method adopted by the Estate Duty Office in valuing shares in a private company. It was that question in particular which led me to remark that probably the proceedings this evening would prompt Mr. Linahan to deliver a second lecture, and I shall listen with the greatest interest to what he will tell us about it. My final word is to repeat the advice I gave at the outset—get hold of these forms. I am sure you will find them a profitable study.

**MR. LINAHAN:** Mr. Cozins raised several points. His first dealt with the basis of assessing the duty on the death of several life-tenants. There would have to be a re-valuation of the assets on the death of each life-tenant, in order to ascertain the capital value of the annuity to which the next life-tenant was entitled. He also raised a point regarding the effect of delay in completing the residuary account. I think the answer to that point is that if considerable delay took place one would have to apply the equitable apportionment rule as laid down in the case of *Allhusen v. Whittell*, the effect of which would be to deprive the life-tenant of the additional income. If the duty is assessed on the capital, it is a capital charge. If it is assessed on an annuity basis, it is payable out of income. Mr. Goode raised certain questions. He referred to stocks which are quoted *ex div.* It is necessary to be very careful to see that the dividends are not included twice as he states. With regard to his point in connection with War Stock, I do not think that the exemption from "taxation" includes death duty; it only relates to income tax, and in any cases that I have had to deal with we have always had to pay estate duty on the War Stock in the same way as on other stocks. With regard to the payment of the 1 per cent. legacy duty where the interests of minors are concerned, it is the rule in the cases referred to by Mr. Goode to require annual returns, and the duty is assessed on the benefits received by the minor. Ultimately, when the estate passes, allowance is made for the duty which has already been paid. Mr. Addison raised a point regarding the necessity for rendering corrective affidavits. If certain assets come to light subsequently, it is necessary to disclose them and to pay estate duty on their value. Legacy duty would also be payable, but it is not usual in such cases to require the use of the

official residuary account form. I am afraid I am not able to give Mr. Colesworthy a complete formula for the valuation of the shares of a private company. As far as I am aware the authorities have no hard and fast rule. It is, as he says, a case of trying to beat down the figure in view of the past profits and the nature of the business and local conditions. Mr. Elgar referred to the decision in the *Dr. Barnardo* case. He pointed out that the income to which he referred was the income of the executors and not of the life-tenants, and therefore was not returnable for super tax. This principle also holds good in connection with income tax claims, but the authorities do not always act upon it in such cases. When preparing super tax returns, however, the point must not be overlooked. Mr. Straker raised a point regarding interest on estate duty. Such interest is an income charge, although solicitors very often include it in the probate expenses which are paid out of capital. Mr. de Russett referred to the liability of trustees for income tax on War Stock dividends not deducted at source. I understand there is a case on that point—the *Singer* case—in which it was held that a trustee was not liable to make the return, and that he could return the name of the beneficiary, in which case it was the duty of the authorities to look to the beneficiary for payment. I think Mr. de Russett was very wise in getting the particular form of indemnity he did to protect himself from liability. He also raised a point regarding repairs, and I gather that some of those repairs had become necessary before the death of the testator. In that case I should have recommended getting a surveyor's estimate and making an apportionment as between capital and income, the proportion there at date of death being a liability of the estate.

**MR. DE RUSSETT:** The leasehold houses were a wasting asset in the possession of the trustee, and he had distributed all the rents in full. There was a heavy drop in values when the properties were sold, the purchaser realising that extensive repairs were necessary and the requirements of the local authorities would have to be complied with.

On the motion of Mr. COLESWORTHY, seconded by Mr. GOODE, the Lecturer received a cordial vote of thanks, and a similar compliment was paid to the Chairman for presiding.

## Incorporated Accountants' Students' Society of London.

### Syllabus of Lectures and Discussions

for the Spring Session:—

1928.

- Feb. 15th. Lecture, "The Truth about Industry," by Mr. Archibald Crawford, K.C., Director of the Economic League (Central Council). *Chairman:* Sir James Martin, Incorporated Accountant.
- Feb. 21st. Lecture, "Goodwill," by Mr. A. F. Saunders, F.C.A., Incorporated Accountant. *Chairman:* Mr. Wm. Strachan, Incorporated Accountant.
- Feb. 28th. Lecture, "Income Tax Assessments based on Current Legislation," by Mr. W. F. Edwards, Incorporated Accountant. *Chairman:* Mr. W. D. Elgar, F.C.A., Incorporated Accountant.
- Mar. 8th. Lecture "Some proposed Amendments to the Companies Acts," by Mr. C. A. Bennett, K.C. *Chairman:* Sir Basil E. Mayhew, K.B.E., F.C.A.
- Mar. 13th. Joint Meeting of London members of the Society of Incorporated Accountants and Auditors and the Chartered Institute of Secretaries, to which members are invited. Particulars will be announced later.
- Mar. 20th. Lecture, "Press Criticism of Prospectuses," by Mr. A. S. Wade, City Editor of *Daily News and Star*. *Chairman:* Mr. Henry Morgan, Vice-President of the Society of Incorporated Accountants and Auditors.

All meetings are to be held at 6.30 p.m. at Cordwalners' Hall, No. 7, Cannon Street, London, E.C.4.



## Correspondence.

### POST MORTEM INCOME TAX CLAIMS.

To the Editors *Incorporated Accountants' Journal*.

SIRS,—May I give you my recent experience bearing on the article in your February issue, and on the letter by "Kenilworth" in your November issue? The writer of the latter pointed out that Somerset House had ultimately admitted his claim in respect of "income coming in after death, so far as it applied to periods previous to death."

I have pushed a claim on exactly similar lines and been refused repayment, and the Inspector in question writes me as follows:—

With reference to your letter of the 25th October, I have now heard from my Head Office, who reply as hereunder:—

"The Board of Inland Revenue have recently had under consideration the question of allocation of income from investments in the light of the judgment of Mr. Justice Bowlatt in the case of *Wigmore v. Thomas Summerson & Sons, Limited*, and which, I think you will agree, rests on the abandonment as applied to War Loan interest of the whole idea of accrual *de die in diem*. It seems clear that if that principle does not apply to interest payable at a fixed rate on a British National Security it certainly cannot be applied to a dividend paid out of a company's profit which is variable from time to time and is not payable unless and until voted by the shareholders at their annual meeting.

"With regard to the position arising on the death of a claimant, it would appear that any dividends received after the date of death shall be considered the income of the person or persons beneficially entitled to such under the terms of the will, except that where the Apportionment Act has not been ruled out the proportion of the dividends or interest for the period to the date of death falls to be allocated to the deceased's estate under the provision of that Act, but could not be considered the income of any individual for income tax purposes. The executors of a deceased person may be bound under the Apportionment Act to credit part of such interest to his estate, but this is not considered to render the deceased or his representatives liable or entitled to include such amount in his personal statement of total income for the period prior to his death, nor can such income be regarded as having arisen to the beneficiaries merely because as legatees they ultimately receive the interest as part of the residuary estate.

"In dealing with claims by the beneficiaries the Department does not rely on accrual, but merely on the facts as to the income they receive. A dividend of which a part has to be apportioned to the estate of a deceased (available as such for all purposes lawful to the executors under the testamentary disposition) cannot be regarded for tax purposes as wholly income of a beneficiary or group of beneficiaries.

"It may be added that where income arises to a trust estate, it may frequently fall to be taxable income of any particular individual (e.g., in trust for accumulation) and in such cases the trustees are assessable in respect of untaxed income and are not in a position to reclaim any tax suffered by deduction or by direct assessment."

I trust that the above will make the position clear to you.

Yours faithfully,

(Signed) H.M. INSPECTOR OF TAXES.

It appears, therefore, that in this case—exactly similar to the one the writer of your article quoted—Somerset House rule that taxed income received after death in respect of periods prior to death, because it is liable to be credited to the estate of the deceased as capital and estate duty levied upon it, is not to be treated as income upon which tax can be reclaimed. Had the deceased lived it would have been reclaimable, but because he died before income was received the Department sticks to the tax and will not refund.

As this seems quite contrary to your writer's experience, I shall be glad to see his comments on the above quoted letter.

Yours faithfully,

HERBERT HOLMES.

[The letter quoted above indicates that the Inland Revenue Authorities have recently altered their views on the matter.—Eds., I.A.J.]

### THE PROFESSION IN INDIA.

To the Editors *Incorporated Accountants' Journal*.

SIRS,—We have great pleasure in bringing to your notice the fact that the profession of accountancy in India is receiving due and adequate recognition both at the hands of Government and public bodies.

Mr. Hugh G. Cocke, Chartered Accountant, of the firm of Messrs. A. F. Ferguson & Co., who has taken an active part in elevating the status and position of accountants in India, has been elected President of the Bombay Chamber of Commerce, a distinction that rarely goes to a practising accountant. Another member of the profession, Mr. S. B. Billimoria, received the distinction of a knighthood in the New Year's Gazette. This is a signal and unique occasion because he is the only accountant practising in India that has so far received this distinction.

Government are contemplating steps being taken for the advancement of the interests of the profession in India, and it will not be, it is hoped, too late before a body of professional accountants is duly recognised by the Government of India.

Yours faithfully,

Bombay.

S. B. BILLIMORIA & CO.

### "INDUSTRIAL PEACE AND ADMINISTRATION."

"Industrial Peace" was the original title of this monthly journal, which started some ten years ago. It has now been altered to "Industrial Peace and Administration," the idea being that industrial peace is closely linked up with factory management. In future, therefore, it is proposed to include some of the main problems connected with employment-management. Concurrently with this a series of trade surveys of various groups of industries will be contributed by Professor Jones. The journal is published at 65, St. Giles', Oxford, at the price of 13s. per annum.

### Obituary.

#### RICHARD REES.

We regret to announce the death of Mr. Richard Rees, who was admitted an Associate of the Society in May, 1905, and was elected a Fellow in 1923. Mr. Rees was a senior partner in the firm McDonald & Rees, who practised at Bute Docks, Cardiff.

## PUBLIC AUDITORS

## Under the Friendly and Industrial and Provident Societies Acts.

The Lords Commissioners of His Majesty's Treasury have been pleased to appoint the following Incorporated Accountants to act as Public Auditors for Great Britain for the year ending December 31st, 1928, under the provisions of the Friendly Societies Act, 1896 (59 & 60 Vict., cap. 25), and the Industrial and Provident Societies Acts, 1893 to 1918 (56 & 57 Vict., cap. 39, and 3 & 4 Geo. V, cap. 31), viz:—

- Acock, R. G., 69, London Street, Norwich; Wayland Hall, Watton, Norfolk.
- Alban, F. J., Central Chambers, Newport, Mon.
- Alexander, J. H., City Chambers, East Parade, Leeds; 12, Gladstone Street, Cross Keys; York House, Blackwood, Mon.; Market Buildings, Ebbw Vale.
- Alexander, P., 43, Chancery Lane, London, W.C.2; 3, Woodgrange Road, Forest Gate, London, E. 7.
- Allen, H. J., 37, Surrey Street, Sheffield.
- Andrews, E., 12, Abbey Square, Chester.
- Antoine, B. W., 2, The Mall, Ealing, London, W.5.
- Armson, G. A., Bank House, 95, High Street, Lewisham, London, S.E.13.
- Armstrong, H. J., 2, Saville Place, Newcastle-on-Tyne.
- Armstrong, J., 22, Station Road, Workington.
- Armstrong, J. W., 2, Collingwood Street, Newcastle-on-Tyne.
- Arnold, C., 12, Wellington Road, Rhyll; 1, Record Street, Ruthin, Denbighshire.
- Arnold, F. V., Midland Bank Chambers, North Street, Brighton; Midland Bank Chambers, Horsham.
- Ashworth, W., 74, Yorkshire Street, Burnley.
- Aspray, N., "Olney," Middlefield Lane, West Hagley, Wores.
- Atkins, J. R., 76, Derby Street, Macclesfield; 54, Lawton Street, Congleton.
- Atkinson, W. G., Loddington House, 42, Albert Street, Rugby.
- Avison, O., 1, Cloth Hall Street, Huddersfield.
- Baines, J. V., Curry's Chambers, 115, High Street, Stockton-on-Tees.
- Baker, W. B., 9, Bridge Street, Berwick-on-Tweed.
- Barker, A. E. S., 22, Scarbro' Street, West Hartlepool.
- Barrowcliff, C. Percy, 55 & 57, Albert Road, Middlesbrough; 175A, Newgate Street, Bishop Auckland.
- Bartlett, R. Wilson, 24, Bridge Street, Newport, Mon.
- Bausor, H., 20, Ebers Grove, Mapperley Park, Nottingham.
- Bayliss, W. M., 16, Broad Street, Oxford; Market Square, Buckingham; Church Square, Leighton Buzzard, Beds.
- Beer, W. W., 17, Bedford Circus, Exeter; 15, Gold Street, Tiverton.
- Benbow, L., 2A, Sheep Street, Northampton.
- Bennett, C. H., 741-743A, Salisbury House, London Wall, London, E.C.2.
- Bentley, W., Wyndcliff, 33, Harper's Lane, Bolton.
- Bicker, E., Exchange Buildings, Upper Hinton Road, Bournemouth.
- Binns, J., Exchange Buildings, Mirfield.
- Black, W. C., 147, High Street, Newport, Isle of Wight; 17, King's Terrace, Southsea; 57, High Street, Ventnor, Isle of Wight.
- Blandford, E. W. E., Capel House, 54, New Broad Street, London, E.C.2.
- Blythen, S., Victoria Chambers, Long Eaton; Market Place, Ilkeston.
- Bowen, G. Brinley, 22, Wind Street, Swansea.
- Braddy, C. W., 107A, High Street, Winchester.
- Bradley, E. R., 584, Christchurch Road, Boscombe; 110, Seabourne Road, Southbourne; 2, Church Street, Christchurch.
- Branson, R. M., Prudential Chambers, Grey Friars, Leicester.
- Brazier, A. G., 15, Woodstock Road, Croydon.
- Brewer, A. H., 3, Wood Street, Queen Square, Bath.
- Broadbent, J. W., 36, Clegg Street, Oldham.
- Brodie, J. Paterson, Moor House, Moorland Road, Burslem; Rawcliffe Chambers, Southport.
- Brodie, R. M., 29, Scale Lane, Hull.
- Bromfield, J. H., 130, Powke Lane, Blackheath, Birmingham.
- Bromley, J. W., Winton Place, 19, Knowles Road, Batley.
- Brown, E. T., Gresham Chambers, Lichfield Street, Wolverhampton.
- Bryant, A. C., 5A, St. Augustine's Place, Bristol.
- Buckle, C. D., 25, Cheapside Chambers, Bradford.
- Buckley, A. N., Union Chambers, 45 & 47, Commercial Street, Halifax.
- Bull, E., Bank Chambers, Devizes; Market Place, Warminster.
- Burgess, G. W., 14, St. Mary Axe, Leadenhall Street, London, E.C.3.
- Bush, B., 18, Eldon Square, Newcastle-on-Tyne.
- Butler, J., 66, Albion Street, Leeds.
- Carr, E. R., Rowton Buildings, 11, Bowling Green Street, Leicester; Savings Bank Chambers, Nottingham Street, Melton Mowbray.
- Carr, W., 27, Regent Street, Barnsley.
- Cattell, W. C., Bank Chambers, High Street, Kettering; Argus Chambers, High Street, Rushden.
- Cassford, J. C., 15, Queen Street, Edinburgh.
- Chadwick, A., 16, Bolton Street, Bury; 8, Garden Street, Ramsbottom, Lancs.
- Claridge, C. E., 53, Well Street, Bradford.
- Claridge, William, 53, Well Street, Bradford.
- Clark, W., County Bank Chambers, Bradshawgate, Leigh, Lancs.
- Clarke, F. N., 4, Pavilion Buildings, Brighton; 2, North Street, Horsham.
- Clarke, S. W., 31, Castle Hill, Lancaster; 51, Hoghton Street, Southport.
- Clarkson, J. Paxton, 16, Devonshire Square, Bishopsgate, London, E.C.2.
- Clarkson, P. D. J., 19, Winckley Square, Preston; Kent's Bank Road, Grange-over-Sands, Lancs.
- Clayton, W., Milton Chambers, Milton Street, Nottingham.
- Clinch, S. H., 119, Moorgate, London, E.C.2; Hurdie House, Broad Street, Seaford, Sussex.
- Clutterbuck, S. E., 31, Queen Street, Cardiff; Midland Bank Chambers, Pentre, Glam.
- Coates, F. W., 10, Albert Road, Middlesbrough.
- Condie, J., Commercial Bank Buildings, 104, High Street, Dunfermline; Royal Bank Buildings, High Street, Cowdenbeath; 9, Drysdale Street, Alloa; Main Street, Kingseat.
- Cooper, D., Old Colony House, South King Street, Manchester.
- Cooper, W. H., 5, Philpot Lane, London, E.C.3; 102, Queen Street, Maidenhead, Berks.
- Costello, J. E., 90, Cannon Street, London, E.C.4.
- Crompton, W., 380-386 & 351-353, Produce Exchange, Hanging Ditch, Manchester.
- Crowe, S. E., 1, Albion Street, Leeds.
- Crowther, E., 10, Regent Street, Barnsley.
- Cryer, M. P., Old Bank Chambers, Keighley.
- Cunliffe, A. R., Station Buildings, 24, Railway Street, Nelson.
- Daffern, T. M., 19 & 20, High Street, Coventry.
- Davey, H., Hyland Buildings, Wood Street, Wakefield; Yorkshire Penny Bank Chambers, Market Place, Normanton.
- Davies, T., Wyndham House, Bridgend.
- Davies, Trevor, Barclays Bank Chambers, 97, Malden Road, Kentish Town, London, N.W.5.
- Davis, H. V., 30, Chamberlain Street, Wells; 27, High Street, Glastonbury.
- Deacon, A. G., 13, St. Ann Street, Manchester.
- Drowley, G., 26, Gloucester Road, Hampton, Middlesex.
- Dudbridge, J. S., 8, Lansdown, Stroud, Glos.
- Dudbridge, S., 8, Lansdown, Stroud, Glos.; Queen Street Chambers, Gloucester.
- Duncan, D. C. N., Barclays Bank Chambers, 55, High Street, Grantham.
- Dunlop, R. T., 45, Renfield Street, Glasgow.
- Duthie, R. Simpson, Sun Chambers, 9, Devonshire Street, Carlisle.
- Dyer, C. E., 32, Milton Park, Highgate, London, N.6.
- Dyer, S. A., 5, Fenwick Street, Liverpool.
- Eaves, W., 47, Mosley Street, Manchester; County Bank Chambers, Chapel Street, Tyldesley.
- Ednie, A., 7, St. Paul's Square, Bedford.
- Edwards, A. R., 22, High East Street, Dorchester.
- Edwards, H., 61, Wind Street, Swansea.
- Edwards, R. H., Bank Chambers, 26, Mosley Street, Newcastle-on-Tyne.



- Elgar, W. D., 9, King's Bench Walk, Temple, London, E.C.4.  
 Elliott, E. A., 18, Market Street, Heywood, Lancs.  
 Ellworthy, J. M., 13, Sherborne Lane, King William Street, London, E.C.4.  
 Eltringham, A., 20, Fowler Street, South Shields.  
 Evans, F., 8, West Street, Liskeard, Cornwall.  
 Evans, H. R., 17, George Street, St. Helens; Bank Chambers, Church Street, Prescott, Lancs.  
 Evans, T. A., Ffrwd Offices, Mountain Ash.  
 Evershed, A. E., 51, High Street, Guildford.  
 Fearnhead, J., 20 & 22, High Street, Chorley, Lancs.  
 Feek, A. J., High Street, Pershore, Worcester.  
 Fernyhough, M. P., 6, Commerce Street, Longton; 23, Market Street, Hednesford, Staffs.  
 Flawn, S. J., 35, Hamilton Crescent, Palmers Green, London, N.13.  
 Ford, W. J., 28, Baldwin Street, Bristol.  
 Fortune, G. W., 26, Forrest Road, Edinburgh.  
 Foster, S. E., 29, Bank Street, Ashford, Kent.  
 Fox, F. W., 14, King Street, Leicester.  
 Freeborough, J. H., 25, Figtree Lane, Sheffield.  
 Froude, T., Crown Buildings, Loseby Lane, Leicester.  
 Fry, F. W., Clement's House, Clement's Lane, London, E.C.4.  
 Gair, R., Emerson Chambers, Blackett St., Newcastle-on-Tyne.  
 Gait, A., 1, The Foundry Bridge, Abertillery.  
 Gardiner, F. C., Barclays Bank Chambers, Scarborough.  
 Gardiner, H. T. Gore, 62, Cawley Road, London, E.9.  
 Gerrard, R., 71 & 73, Lee Lane, Horwich, Lancs.  
 Gill, F., Bank of Liverpool Chambers, Bradford.  
 Girling, A. F. J., Eldon Buildings, 20, Eldon Street, Barnsley.  
 Godkin, H., 58, Baxter Gate, Loughborough.  
 Goulding, E. S., 19, Sweeting Street, Liverpool.  
 Gowen, H. P., 7, Queen Street, Norwich: Market Place, Fakenham; 13, Market Place, East Dereham, Norfolk.  
 Grassam, J., 32, Alliance Avenue, Anlaby Road, Hull.  
 Greenhalgh, T., Empress Chambers, 97, Church Street, Blackpool.  
 Greenwood, A., 20, Bond Street, Dewsbury.  
 Greenwood, H., Market Chambers, Heckmondwike.  
 Griffin, C. E. B., Bank Chambers, 8, Church Street, St. Helens.  
 Griffin, G. B., Newton Chambers, 48, Cannon St., Birmingham.  
 Griffith, F., Barclays Bank Chambers, 37A, Stricklandgate, Kendal.  
 Griffiths, J. Pearson, 10, Clarence Place, Bute Docks, Cardiff.  
 Grimwood, Lieut.-Col. James, C.B., D.S.O., St. Stephen's House, 2, Coleman Street, London, E.C.2.  
 Groves, T. J., 14, Scarbro' Street, West Hartlepool.  
 Hackett, P. B., 36, Cannon Street, Birmingham.  
 Hallett, A., Studio Buildings, Regent Street, Wrexham, Denbigh; Lloyds Bank Chambers, Ellesmere, Salop.  
 Hanson, C., 4, The Terrace, Woburn Sands, Bucks.  
 Hanson, F. W., Court Chambers, Jessop Street, Castleford, Yorks; High Street, Kippax.  
 Hargreaves, F., Bow Chambers, 55, Cross Street, Manchester.  
 Harlow, E., Grosvenor Chambers, 23, King Street, Nottingham.  
 Harper, A. N., Bloomfield House, 85, London Wall, London, E.C.2.  
 Harper, F. C., 27, Chancery Lane, London, W.C.2.  
 Harris, W. A., 13, Commercial Street, Pontypool, Mon.  
 Harrison, C. D., 22, Birley Street, Blackpool; 39, The Square, St. Anne's-on-Sea.  
 Harrison, E., 6, Queen's Square, Newcastle-on-Tyne.  
 Harrison, H. C., 15, Hagley Road, Stourbridge; 92, High Street, Bromsgrove, Wores.  
 Hayden, G. D., High Street, Holt, Norfolk.  
 Hayes, P. R., Compton House, Corwen, Merioneth.  
 Hayes, T. W., 15, Birch Terrace, Hanley, Staffs.  
 Haybow, G. S., 84A, High Street, Purdy's Court, King's Lynn.  
 Heatley, R., Temple Chambers, 33, Brazennose Street, Manchester.  
 Heckels, R. D., 65, Coleraine Road, Blackheath, London, S.E.3.  
 Henderson, A., 62, Cross Street, Fraserburgh.  
 Henderson, H. S., Temple Courts, 55, Temple Row, Birmingham; Hampton-in-Arden, Warwickshire.  
 Henderson, J. H., Wilson's Chambers, 7, Greek Street, Leeds.  
 Hepburn, A. E., 5, Winchester House, Beaufort Street, Chelsea, London, S.W.3; Prospect House, Cliff Rd., Cromer, Norfolk.  
 Hill, E. E., 26, High Street, Cardiff.  
 Hirst, G. L., 8, Bond Street, Dewsbury.  
 Hirst, J. W. A., 28, Queen Street, Albert Square, Manchester.  
 Hobbs, A. M., 64, Great Portland Street, London, W.1.  
 Hodge, H., Market Street Chambers, Kettering.  
 Hodgson, B. T., 96, High Street, Stockton-on-Tees.  
 Hollows, R., 33A, King Street, Wigan.  
 Holman, W. J., 11, Queen Victoria Street, London, E.C.4.  
 Holmes, H., Ropergate End, Pontefract.  
 Holmes, J. T. L., Woodland Chambers, Colwyn Bay.  
 Homersham, Miss M. M., 106, St. Clement's House, Clement's Lane, London, E.C.4.  
 Horsfield, A., Silver Street Chambers, Bury.  
 Hort, J. H., 206, Stanley Road, Bootle.  
 Hubbard, F. L., 41, Havelock Road, Hastings; Endwell Chambers, Endwell Place, Bexhill-on-Sea.  
 Hughes, W., 3, Manor Road, Sunderland.  
 Hustwick, W., 70, Kirkgate, Bradford; 5, The Green, Idle, Bradford.  
 Hutcheson, G. W., 44, Biddulph Mansions, London, W.9.  
 Ingram, A. J., 32, West Sunnyside, Sunderland.  
 Jack, W. H., 38, Bath Street, Glasgow.  
 James, H. M., Turnbull's Chambers, 14, High Street, Coventry.  
 Jennings, F., Borough Chambers, Neath.  
 Jessap, C. T., Barlow Chambers, Lumley Road, Skegness.  
 Johnson, A. J., 35, Southgate Street, Winchester.  
 Johnson, S., 5, Lower Temple Street, Birmingham.  
 Johnstone, W., Central Chambers, High Street, Kidderminster 1, Bank Street, Bridgnorth.  
 Jones, E. Furnival, 4, Fenchurch Avenue, London, E.C.3.  
 Judge, W. A., High Street, Skipton.  
 Keens, A. T., 45, High Street, Aylesbury, Bucks.  
 Keens, Thomas, 11, George Street West, Luton; 2, College Road, Harrow-on-the-Hill, Middlesex; 35, High Street, Leighton Buzzard, Beds.; High Street, Stony Stratford, Bucks.; 108, High Rd., Wembley, Middlesex; 60A, High St., Newport Pagnell, Bucks.; 15, Market Hill, Buckingham.  
 Kenyon, F. T., Midland Bank Chambers, Penrith.  
 Kettridge, C. L., 1, London Wall Buildings, London, E.C.2.  
 Keys, C., Athenaeum Chambers, 71, Temple Row, Birmingham 322, High Street, West Bromwich.  
 Kilby, F., Drury Chambers, Market Square, Northampton.  
 King, G. C., 110, Edmund Street, Birmingham.  
 Lake, J., Gower Chambers, Swansea.  
 Lambert, W. E., Essex House, High Street, Stratford, London, E.15; Cranbrook House, Cranbrook Road, Ilford; "Bathurst," 169, Earham Grove, Forest Gate, London, E.7.  
 Laphish, J. B., Pearl Chambers, East Parade, Leeds.  
 Larder, C., Camomile Street Chambers, Bishopsgate, London, E.C.3.  
 Larking, R. C., Commercial Chambers, Orford Place, Norwich.  
 Lashmore, C. S., 2, Church Street, Cardiff.  
 Law, E. I., Kingscourt, Bridge Street, Walsall.  
 Lawson, G. R., Palmerston Buildings, 5, Manor Row, Bradford.  
 Laycock, S., Barclays Bank Chambers, North Street, Keighley.  
 Leah, H. B., 9, Warren Street, Stockport.  
 Lee, F., Market Cross Chambers, Huddersfield.  
 Leigh, C., 66, St. Mary Street, Warrington.  
 Liversidge, H. G., Imperial Buildings, Rotherham.  
 Lloyd, J. T., 63, Fore Street, Trowbridge.  
 Lloyd, W., 19, Priory Street, Dudley, Worcestershire.  
 Lloyd-Roberts, J., Public Audit Offices, 2, Church Street, Carnarvon; "Cemlyn," Harlech, Merioneth.  
 Lock, F. J., 23, Eastbury Road, Watford.  
 Lord, J. H., Bank Buildings, Bacup.  
 Lowe, J. T., 12, Kent Street, Kendal, Westmorland.  
 McCutcheon, R. T., 74, Bath Street, Glasgow.  
 McDonald, T. W., 98, Palmerston Road, Wood Green, London, N.22.  
 Macfarlane, R., 114, West Campbell Street, Glasgow.  
 Macintyre, A., Muirbrow Chambers, 118, Cadzow Street, Hamilton.  
 Mahon, F., 4 & 5, Oriental Chambers, Doncaster.  
 Mair, A. J., 5, Frederick Street, Sunderland.  
 Malthouse, G., 10, Rossall Road, Harehills, Leeds.  
 Marriott, G. A., 89, Fountain Street, Manchester.  
 Marshall, S. W., 107A, Mortimer Street, Herne Bay, Kent; Town Hall Chambers, Westgate-on-Sea, Kent; 1, West Terrace, Folkestone.  
 Martin, J. W., 17, Dormer Place, Leamington Spa.  
 Mason, E. H., 9, Clarence Street, Cheltenham.  
 Mawson, J. D., 51, Boileau Road, Ealing, London, W.5.

- Mayhew, W. O., 62, Oxford Street, London, W.1; Richmond Road, Bognor.
- Merchant, H. A., 48, Uxbridge Road, Ealing, London, W.5.
- Metcalfe, S., 9, Swinnow Drive, Pudsey.
- Millman, H. T., Prudential Chambers, Grey Friars, Leicester.
- Mills, F. W. T., 6, Priory Place, Doncaster.
- Milne, R., 68, Bath Street, Glasgow.
- Moffat, F., 126, High Street, Falkirk.
- Moger, J. R., Lancashire and Yorkshire Bank Chambers, Cleckheaton, Yorks.; 40, Bigby Street, Brigg, Lincs.; High Street, Scunthorpe.
- Morgan, E. C., Crown Chambers, High Street, Newtown, Montgomery.
- Morris, H. B., 20-23, Pearl Buildings, Portsmouth.
- Moss, F., Market Place, Ashton-under-Lyne.
- Moulton, P. A., 21, Regent Street, Barnsley.
- Moustardier, M., 69, Downs Road, Clapton, London, E.5; 50, Castle Road, Southsea.
- Mullens, G. G., 16, Station Road, Port Talbot.
- Naylor, J., 19, Richmond Terrace, Blackburn.
- Naylor, B. O., 71, Chatsworth Road, Morecambe.
- Neill, A., 76, Kingsland High Street, London, E.8.
- Nelson, C. Hewetson, 43, Castle Street, Liverpool.
- Norfolk, W. J., 8, East Stockwell Street, Colchester; Adwell House, Pallister Road, Clacton-on-Sea.
- Oates, G. G., 4 & 5, Oriental Chambers, Doncaster.
- Oddie, W. M., Springstone House, Oasett.
- Ogle, H., Spencer House, South Place, London, E.C.2.
- Oldfield, J. W., 5, Rose Grove, Mytholmroyd, Yorks.
- Oldman, A. S., 27, North Albert Street, Fleetwood, Lincs.
- Owen, D., 47, Milson Street, Bath; Market Place, Warminster.
- Oxley, H., 22, Regent Street, Barnsley.
- Page, J. C., May Buildings, 51, North John Street, Liverpool.
- Palmer, A. J., 71, West Street, Fareham, Hants; St. Peter's Road, Petersfield.
- Palmer, E. H., Bentinck Buildings, Wheeler Gate, Nottingham.
- Palmer, G., Guildhall Annexe, 23, King Street, London, E.C.2.
- Parish, L., 3, Branch Road, Batley.
- Paterson, James, 13, Hamilton Street, Greenock; 18, Castle Street, Rothesay, Bute.
- Payne, C. C., Market Place, North Walsham, Norfolk.
- Payne, W. H., 8 & 9, Martin Lane, Cannon Street, London, E.C.4.
- Pearce, M. E. J., 102, High Street, Poole, Dorset.
- Pearson, W., 5, Godwin Street, Bradford, Yorks.
- Pellatt, A. P., 132B, High Street, Hythe, Kent; 58, Cheriton Road, Folkestone.
- Pettitt, S. R., Lloyds Bank Chambers, 45 & 47, Old Christchurch Road, Bournemouth.
- Peveler, R., 5, Princes Square, Harrogate; Market Place, Ripon.
- Pickup, A. H., 65, Shamrock Road, Birkenhead.
- Platts, T. G., 32, Union Street, Birmingham; St. Andrew's Street, Droitwich Spa.
- Pocock, B. G., 8, Warwick Court, Holborn, London, W.C.1.
- Polwarth, J. Bruce, 134, St. Stephen's House, Victoria Embankment, Westminster Bridge, London, S.W.1.
- Prior, F. A., Pelham House, Pelham Street, Nottingham.
- Procter, S., County Bank Chambers, 41, Burnley Road, Padiham, Lincs.
- Pugh, A. E., 19, Carlton Chambers, High Street, Newport, Mon.
- Pugh, H. G., Oswyn House, 20, Oswald Road, Oswestry.
- Rawlinson, B. B., Netherwood Chambers, 1A, Manor Row, Bradford.
- Rees, W. H. S., 1, Charlesville Place, Neath, South Wales; The Docks, Milford Haven.
- Revell, H. W., Prudential Buildings, New Street, Huddersfield.
- Revell, T., Standard Buildings, City Square, Leeds.
- Reynolds, J. W., 49, Bank Street, Bradford.
- Rhodes, J., 31, Manor Row, Bradford.
- Riches, E. J., 12, Bank Street, Norwich; 33, Church St., Cromer.
- Riding, E. C., 3, Fleet Street, Torquay, Devonshire.
- Ridsdale, G. R., Midland Bank Chambers, Bridge St., Walsall.
- Riley, H., 22, Park Row, Leeds; Layton Road, Rawdon, near Leeds.
- Ritchie, P. G., 38, Bath Street, Glasgow.
- Robathan, P. E., Imperial Buildings, Mount Stuart Square, Cardiff.
- Roberts, G. Watkinson, 2, Guildhall Chambers, 31-34, Basinghall Street, London, E.C.2.
- Rodger, T., 29, Grainger Street West, Newcastle-on-Tyne.
- Rollinson, C. E., Westgate Chambers, Newport, Mon.
- Rowland, F. S., 90, Pilgrim Street, Newcastle-on-Tyne.
- Searlett, C. S., 5, Cecil Square, Margate; 36, High Street, Ramsgate.
- Schofield, A., 112, Albion Street, Leeds.
- Scott, J. A., 63, Castle Street, Edinburgh.
- Searle, A. B., The Corn Exchange, Saffron Walden, Essex.
- Shaw, E. B., Imperial Chambers, 43, New Street, Huddersfield.
- Shepherd, J. W., 78, King Street, Manchester.
- Shepherd, W. A., 50, Tredegar Street, Risca, Mon.
- Siewwright, W. B., 3, Kinnoull Street, Perth.
- Simmonds, H. J., 1, Tremadoc Road, Clapham, London, S.W.4.
- Sisling, A. E., 9, Clinton Street West, Nottingham.
- Slater, H., 5, St. Andrew's Street, Cambridge; Eaton House, High Street, Newmarket.
- Slater, J. T., 11, Queen Street, Oldham.
- Smith, O. H., 64, New Road, Chippenham, Wilts.
- Smith, W., 3, Waveney Road, Lowestoft.
- Snow, W. Keller, 55, Quarry Street, Guildford; South Street, Farnham, Surrey; 31 & 32, Carfax, Horsham, Sussex.
- Soddy, R. J., 160, Terminus Road, Eastbourne.
- Sowerbutts, T. W., 16, St. Mary's Parsonage, Manchester.
- Sparrow, G. W., 13-16, Corridor Chambers, Leicester.
- Spicer, R. C., Bank Plain, Norwich.
- Starkie, R. E., 6, South Parade, Leeds.
- Stephens, C. T., Post Office Chambers, Pontilfrith, Mon.
- Stephens, F. W., 26-30, Salisbury House, London Wall, London, E.C.2.
- Stephenson, Joseph, Queen Street Chambers, Peterborough; 5, Church Close, Boston; 2, Market Place, Spalding; 22, Castlegate, Newark-on-Trent; Broadway, St. Ives, Hunts; 17, High Street, Stamford; Victoria Hall, Llandrindod Wells; 1, Grays Lane, March; 114, High Street, Huntingdon; N.P. Bank Chambers, Ludlow; Lamb Corner, Ely; Bourne, Lincs.; Wilcome Place, Knighton; Barclays Bank Chambers, 81, High Street, Scunthorpe; 1, Tudor Street, Swanage; 13, Market Place, Brigg; Foresters Hall, Long Sutton; 28, St. Thomas Street, Weymouth.
- Storey, R. G., 8, Oxford Chambers, St. Stephen Street, Bristol.
- Stott, W., 4, Carlton Range, Gorton, Manchester.
- Sturges, H. H., 1, Guildhall Chambers, 31, Basinghall Street, London, E.C.2.
- Sunderland, W., Craven Bank Chambers, North St., Keighley.
- Swallow, E., Bank Chambers, Market Place, Peterborough.
- Tamplin, J., Westgate Chambers, Newport, Mon.
- Tate, W., Atlas Chambers, King Street, Leeds.
- Tessier, A. N., 279, Borough High Street, London, S.E.1.
- Thomas, D. B., Post Office Chambers, Merthyr Tydfil; Bryn Taf Offices, Treharris; 7, Cross Morlais Street, Dowlais, Glam.
- Thomson, J., 11, Drake Street, Rochdale, Lincs.
- Thurgood, J., 61, High Street, Mexborough.
- Timmis, P. F., Gordon Chambers, High Street, Tunstall.
- Townsend, H., 16, Weston Park, Crouch End, London, N.8.
- Tullett, W., Market Place, Darlington; 14, Tenters Street, Bishop Auckland.
- Tunbridge, S. T., 6, South Quay, Great Yarmouth.
- Tyler, G. H., Newton Chambers, 43, Cannon St., Birmingham.
- Vizard, L., 2, Clarence Parade, Cheltenham.
- Vizard, L. N., 2, Clarence Parade, Cheltenham.
- Walker, G. H., 37, Southgate, Halifax.
- Walker, Percy H., 4, Park Place, Cardiff; The Arcade, Cowes, Isle of Wight.
- Walker, R. B., 1, Richmond Terrace, Blackburn.
- Walker, W., 7, Greek Street, Leeds.
- Wallace, W. D., 48, Loughborough Road, Kirkcaldy.
- Walters, W. L. J., Masonic Chambers, Gillingham, Dorset.
- Walters, W. T., Middle Street, Yeovil.
- Walton, A., 7, Bond Place, Leeds.
- Walton, N. H., Midland Bank Chambers, Sunderland.
- Ward, A., 21, Bridge Street, Bradford.
- Wareing, J., 11, Chapel Street, Preston.
- Warmington, W. H., Overbury, Tewkesbury.
- Warren, F. J., M.B.E., J.P., 3, Victoria Place, Haverfordwest; Britannia Stores, Cardigan; Savings Bank, Main Street, Pembroke; The Docks, Milford Haven.
- Watson, O. A., 24 & 26, Corridor Chambers, Market Place, Leicester.



Wand, N., 37, Market Street, York.  
 Webb, E., 34, Grand Parade, Brighton.  
 Wells, C. H., Independent Buildings, 21, Fargate, Sheffield.  
 West, H. W., 154, Bishopsgate, London, E.C.2; Bank House, 618, Romford Road, Manor Park, London, E.12.  
 White, A. M., 29, Grainger Street West, Newcastle-on-Tyne.  
 White, E. G., Bank Chambers, Lammas Street, Carmarthen.  
 White, J. C., 53, High Street, Sutton, Surrey.  
 White, P., 6, Sussex Terrace, Princess Square, Plymouth.  
 Williams, E. J., Exchange Buildings, 14, Lowther Street, Carlisle.  
 Williams, E. K., 36, Prince's Buildings, 81, Dale Street, Liverpool.  
 Williams, G. R., 26, Windsor Place, Cardiff.  
 Williamson, J. H., Market Place, Ashton-under-Lyne.  
 Wilson, Sir Charles, M.P., Wilson's Chambers, 7, Greek Street, Leeds.  
 Windle, R. S., Midland Bank Chambers, Barnoldswick.  
 Witty, B. A., 6, Dowgate Hill, Cannon Street, London, E.C.4.  
 Wolstenholme, E. J., 36, Yorkshire Street, Rochdale.  
 Wood, D., 40, Cleveland Road, Ealing, London, W.13.  
 Wood, H., 179, Dock Street, Newport, Mon.  
 Woodhead, A. C., Manor Square, Otley.  
 Woolley, F., J.P., 6, Portland Street, Southampton.  
 Worthington, H. N., Provident Chambers, 51, Wardwick, Derby; 41, Market Street, Ashby de la Zouch; Midland Bank Chambers, King Street, Belper.  
 Yearsley, A., 84, Warrington Street, Ashton-under-Lyne; High Street, Blackwood, Mon.

## District Society of Incorporated Accountants.

### YORKSHIRE.

The sixth lecture of the session, with Mr. A. Schofield, A.S.A.A., in the chair, was held at Leeds on January 17th, when Mr. A. Lester Boddington, F.S.S., of London, addressed the Society on "The Application of Economics to Commerce."

Mr. Boddington said that the world was disposed to consider everything too much in terms of money. The economist tried to get away from the idea of actual money, and substituted for it the various things which money would purchase—in other words, the real effect of money rather than the nominal value. The purchasing power of money varied with the amount of money in circulation. Though wages to-day were high, they were not so high as prices, so that we did not get a real comparison between pre-war and post-war periods.

If we took the profits of businesses in terms of money, we could not tell whether a business was progressive or retrograde without taking into consideration relative prices, or the quantities of commodities that a business was buying and selling. If we increased the amount of money in the hands of the community prices were bound to rise unless there was a corresponding increase of the goods capable of being demanded by that money. It was not possible to conceive a state of affairs in which the production of goods would leap up in the same ratio.

The meeting terminated with a cordial vote of thanks to the Lecturer for his valuable paper.

## Professional Appointment.

Mr. Edgar Ashby, Incorporated Accountant, a member of the staff of the City Treasurer of Birmingham, has been appointed Chief Accountant to the Birmingham Corporation Tramways Department.

## Rebrietus.

**Supplement No. 2 to the Income Tax, 1918, and the Finance Acts.** London: H.M. Stationery Office, Adastral House, Kingsway, W.C.2. (Price 4s. net.)

This supplement is on the same lines as Supplement No. 1. It includes the text of the taxation provisions of the Finance Act, 1927, together with an addition to the general index, and reprints of the amended sections of the Income Tax Act, 1918, and subsequent Finance Acts; also gummed slips giving cross references to the respective sections of these Acts, with notes of repeals and amendments.

**Income Tax Reliefs.** By A. W. Rawlinson, A.C.A. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C.2. (406 pp. Price 30s. net.)

This book contains some special information which is not always available, and deals very fully with all questions of Relief and Reclaims of Income Tax. It will be found useful to practising accountants in dealing with questions of difficulty which arise from day to day.

**Complete Practical Income Tax.** Third Edition. By A. G. McBain, C.A. London: Gee & Co. (Publishers), Limited, 6, Kirby Street, E.C.1. (362 pp. Price 7s. 6d. net.)

The author deals briefly with Income Tax under all the Schedules. The work is suitable for students, the law being stated in plain language, and not burdened with cases and references. There are also numerous examples of the working out of claims for repayment and relief. While not by any means exhaustive the book gives a good general idea of the operation of income tax legislation.

**Hospital Organisation and Management.** By Capt. J. E. Stone, F.S.A.A. London: Faber & Gwyer, Limited, 24, Russell Square, W.C.1. (642 pp. Price 21s. net.)

This is a comprehensive book on the subject of Hospital Organisation and Management. The author is evidently familiar with every aspect of his subject and has spared no pains to give the fullest information. He deals with the proceedings of Boards of Management, Administration and Personnel, Nursing, Purchase of Supplies, Social Service, &c. Our readers will be mainly interested in the portion relating to Hospital Accounts upon which Capt. Stone is a recognised authority. A special feature is the chapter in this section dealing with Hospital Statistics. Those connected with any department of Hospital Management or control will find much useful information in this volume.

**A Summary of Mercantile Law.** By A. J. Belsham, LL.B., Barrister-at-Law and H. A. R. J. Wilson, A.C.A., London: Macdonald & Evans, 8, John Street, Bedford Row, W.C.1. (190 pp. Price 10s. net.)

In producing this book the authors have kept specially before them the requirements of candidates for Accountancy and Commercial Examinations and have accordingly excluded Bankruptcy, Partnership and Company Law, which they consider requires to be given in much greater detail than it is possible to do in a book of this size. The subjects which it covers consist mainly of the Law relating to Contracts, Negotiable Instruments, Principal and Agent, Carriage,

**Insurance and Bailments.** The matter is well arranged and the text clear and explicit. Students will find that the book deals adequately with those branches of Mercantile Law which it specifically covers:

**Partnership Law.** By Edward Westby-Nunn. London: The Gregg Publishing Company, Limited, 36-38, Kingsway, W.C. 2. St. Albans: The Donnington Press, 40/42, St. Peter's Street. (158 pp. Price 7s. 6d. net.)

The outstanding features of this book are brevity and clearness. It is accordingly suitable for assisting students in acquiring a good general knowledge of the subject. The author has included in the text a number of practical illustrations for the purpose of showing the application of the abstract principles established by the Partnership Act.

**Higher Book-keeping and Accounts.** By L. Cuthbert Cropper, F.C.A. London: Macdonald & Evans, 8, John Street, Bedford Row, W.C. 1. (864 pp. Price 7s. 6d. net.)

In compiling this book Mr. Cropper has adhered to the methods adopted in actual practice which are so often absent from books of this character. The present volume is one of a series and deals with matters which concern students who are offering themselves for the most advanced examinations of the Society of Arts, the College of Preceptors, the London Chamber of Commerce, &c. It is very comprehensive, dealing fully with every aspect of book-keeping in its higher branches, including Partnership Accounts, Joint Stock Company Accounts, Hire-purchase Accounts, and Bank Book-keeping, together with chapters on Bills of Exchange, Partnership Law, and other matters. The student will find in it a wealth of useful information.

## BANKRUPTCY, ENGLAND.

### New Rules.

The following Bankruptcy Rules, dated January 2nd, 1928, have been made under sect. 182 of the Bankruptcy Act, 1914:—

1.—Rules 230 and 231 of the Bankruptcy Rules, 1915, shall be annulled and the following Rules shall be substituted therefor:—

"230. In every case of an application by a bankrupt for his discharge, the Official Receiver shall file his report and send a copy thereof to the bankrupt by registered post not less than seven days before the time fixed for hearing the application.

231. Where a bankrupt intends to dispute any statement with regard to his conduct and affairs contained in the Official Receiver's report, he shall, not less than two days before the hearing of the application for discharge, file in Court a notice in writing, specifying the statements in the report, if any, which he proposes at the hearing to dispute and serve a copy of the notice upon the Official Receiver. Any creditor who intends to oppose the discharge of a bankrupt on grounds other than those mentioned in the Official Receiver's report, shall not less than two days before the hearing of the application file in Court a notice in writing of the intended opposition stating the grounds thereof and serve a copy of the notice upon the Official Receiver and upon the bankrupt."

2.—These Rules may be cited as the Bankruptcy Rules (No. 1), 1928, and shall come into force on February 1st, 1928, and the Bankruptcy Rules, 1915, as amended, shall have effect as further amended by these Rules.

## ACCOUNTANTS' CLAIM FOR CHARGES.

Messrs. Oscar Berry, Froude & Co., Chartered Accountants, Monument House, Monument Street, London, E.C., brought an action before Judge Shewell Cooper in the Mayor's and City of London Court against Adams Patent Suspension Company, Limited, 5, Fenchurch Street, London, E.C., claiming £86 0s. 4d., made up as follows: £63 professional charges for services rendered as accountants between November 15th and December 22nd, 1926, and £23 0s. 4d. for disbursements.

Mr. Thomas Froude, a partner in the plaintiff firm, said that in November, 1926, a Mr. Adams called upon him in reference to a patent which he had acquired in America. Witness had known Mr. Adams for a number of years, and had previously done work for him. The patent was in connection with the suspension of motor cars, and rubber was used in its manufacture. Mr. Adams consulted witness as to the advisability of getting in touch with the Rubber Growers' Association with the view of gaining the assistance of that body in exploiting the patent. After discussion, that step was taken, and ultimately the Association appointed a number of members to investigate the matter, and a Mr. Money was delegated to deal with it. Witness had taken part in many negotiations with and between Mr. Adams and Mr. Money on the matter, and finally, after investigating the patent documents and going into other matters connected therewith, he was requested to prepare the Memorandum and Articles of Association for a company. The instructions to do the work came from Mr. Money, or his firm, and witness ultimately registered the company, and did all the work in connection therewith, including the preparation of the draft agreement for the transfer of the patent rights. It was understood throughout the negotiations that he was to look to the company now being sued for payment.

Answering the Judge, witness said that he put the charge for preparing the Memorandum and Articles of Association and the work in connection therewith at £36 15s. He thought that was a reasonable charge.

Cross-examined, witness admitted that he had received 50 shares in the new company from Mr. Adams, but contended that that was in settlement of personal work which he (witness) had done for that gentleman. He did not regard it in any way as payment for services rendered by the plaintiff firm to the defendant company. He further admitted that he had been approached by Mr. Adams, since action was brought, who suggested that witness should accept £2 each for the shares, and that the money thereby received, together with £35 which the company was ready to pay—and had in fact paid into Court in settlement of the plaintiffs' claim—should be accepted in settlement of plaintiffs' account. Witness's reply to that suggestion was that he was entitled to whatever the shares were worth irrespective of the plaintiffs' bill of charges against the company.

Witness was taken in detail through the work which he did on behalf of the plaintiffs for the defendant company, and expressed his conviction that the sum sued for was a reasonable charge.

Judge Shewell Cooper, at the end of the plaintiffs' evidence, intimated to defendants' counsel that he did not desire him to call any evidence. He said he came to the conclusion that the £35 paid into Court by the defendants was slightly more than enough to meet the plaintiffs' claim. He was satisfied that some of the items charged against the defendant company should be charged against Mr. Adams personally. Looking at



the facts of the case carefully, he came to the conclusion that £31 10s. was reasonable remuneration for the work done by the plaintiffs on behalf of the defendants. Further, he considered that 25s. was the only sum which plaintiffs could charge against defendants as out-of-pocket expenses. Therefore plaintiffs, in his view, were entitled to £33 5s., for which he would give them judgment. Plaintiffs were entitled to costs up to the time of payment in, but the defendants would have any subsequent costs. His Lordship directed that the money paid into Court should remain there pending the settlement of the amount of the costs.

## ROYAL NAVAL RESERVE.

(ACCOUNTANT OFFICERS.)

### ANNUAL DINNER.

The eleventh annual re-union dinner at the Princes' Restaurant, Piccadilly, was held on Friday, January 20th. The chair was occupied by the Mess President, Paymaster Commander C. C. H. Drake, R.D., R.N.R., and among those present were the following:—Vice-Admiral A. A. M. Duff, C.B.E. (Admiral Commanding Reserves), Paymaster Rear-Admiral B. C. Allen, C.B., M.V.O. (Paymaster Director-General), Admiral Sir Lewis Clinton-Baker, K.C.B., K.C.V.O., Vice-Admiral C. G. Mansell, C.B.E., M.V.O. (Deputy Master of Trinity House), Admiral Sir Reginald C. O. Tupper, G.B.E., K.C.B., C.V.O., Admiral A. E. A. Grant, Paymaster Lieutenant-Commander W. L. Threlford, M.B.E., F.C.A., R.N.R., Paymaster Captain B. A. Jinkin, R.N., Mr. W. J. Evans, C.B., C.B.E., Paymaster Commander A. F. Stoy, R.D., R.N.R., F.C.A., Mr. Henry Morgan Vice-President of the Society of Incorporated Accountants and Auditors, Paymaster Commander H. V. Such, R.D., R.N.R., Paymaster Commander C. J. Cowdy, R.D., R.N.R., F.S.A.A., Paymaster Lieutenant-Commander C. B. Jarrett, R.D., R.N.R., Paymaster Lieutenant-Commander R. Ashworth, R.N.R., F.S.A.A., F.C.A., Paymaster Lieutenant S. T. Morris, R.N.R., A.S.A.A., Paymaster Lieutenant-Commander A. A. Garrett, R.N.R., Paymaster Lieutenant R. J. Pigott, R.N.R., F.C.A., Paymaster Lieutenant H. D. Bell, R.N.R., F.C.A., Paymaster Lieutenant Norman Bell, R.N.R., A.C.A., Lieutenant L. S. Argent, R.N.V.R., A.C.A., Paymaster Lieutenant Bernard Collett, R.N.R., F.C.A., Mr. W. N. Hawken, A.C.A., Lieutenant C. B. Croft, R.F.A., A.S.A.A., Paymaster Lieutenant-Commander R. J. Hayward, R.N.R., A.C.A., Paymaster Lieutenant H. A. Smith, R.N.R., A.S.A.A., Paymaster Lieutenant T. Linton Wilson, R.N.R., F.S.A.A.

The toasts of "The King" and "Absent Friends" having been given, the Mess President proposed the toast of "Our Guests," to which a response was given by Vice-Admiral A. A. M. Duff, C.B.E. (Admiral Commanding Reserves). Admiral Duff paid a tribute to the services rendered by Accountant Officers, Royal Naval Reserve, during the war and to their continued service in the Reserve on a peacetime basis. The Reserve of Accountant Officers was constituted and maintained by members of the accountancy profession, of the staff of the Bank of England and by others of suitable qualifications occupying responsible positions in civil life. They were particularly glad to have the opportunity of being guests at that function, because they in the Navy were anxious that the spirit of comradeship and fellowship which they knew in the war should not fade away.

The toast of the "Royal Naval Reserve (Accountant Officers)" was proposed by Payr. Captain R. A. Jinkins, R.N., and a response was given by Payr. Commander H. N. Page, R.D., R.N.R. He said it was a remarkable tribute to the *esprit de corps* of the R.N.R. that nine years after the conclusion of war the attendance at the re-union dinner increased, when they were delighted to entertain officers in the Royal Navy and to meet many former shipmates.

At the conclusion of the dinner the toast of the Hon. Secretary, Paymaster Commander A. F. Stoy, R.N.R., was honoured at the call of Paymaster Lieut. Commander S. J. Read, R.N.R.

## EXCESS PROFITS DUTY RECLAIMS.

### Accountant's Claim for Commission.

In the King's Bench Division, on January 18th, before Mr. Justice McCardie, an action was brought by Mr. Harold Alexander Leach, Chartered Accountant, of St. George's Road, Golders Green, London, N.W., against Mr. C. W. J. Homan, M.P., financial adviser, of Windsor House, Victoria Street, London, S.W. The plaintiff claimed a declaration that he was entitled to be paid 15 per cent. of the gross fees received or to be received by defendant in respect of claims for repayment of excess profits duty prepared or lodged by plaintiff. Plaintiff also claimed an account of the commission due to him and £13 14s., as arrears of salary.

Defendant had not appeared and was not represented.

Mr. Melville, K.C., for the plaintiff, said, as he read the defence and looking at the correspondence, there could, he thought, be no issue so far as the 15 per cent. was concerned. Mr. Leach was employed by the defendant on salary and commission, and Mr. Homan discharged him and paid him a month's salary. Defendant had since brought into Court £13 14s., bringing the salary up to the end of the current month. Mr. Homan had set up a defence in which he really admitted the claim, subject to this, that he said he had a counterclaim for damages, and the suggestion was that plaintiff had done private work during his whole time employment with the defendant without the defendant's knowledge, and that the defendant had suffered damage in consequence. Plaintiff's answer to this was that Mr. Homan knew quite well all about the trivial work Mr. Leach was doing, and that he had no objection to it.

Plaintiff gave evidence in support of his claim, and said his work for Mr. Homan consisted of preparing and lodging claims for the repayment of excess profits duty on behalf of a large number of companies.

Mr. Justice McCardie made a declaration that plaintiff was entitled to a commission of 15 per cent. of the net fees received by the defendant in respect of claims for the repayment of excess profits duty referred to in the correspondence, and also directed that an account should be taken and the payment out to plaintiff of the £13 14s. paid into Court by defendant in respect of salary. His Lordship gave plaintiff the costs of the action and dismissed the counterclaim with costs.

## AUDIT (LOCAL AUTHORITIES) ACT, 1927.

An Act to amend the law with respect to the effect of surcharges by district auditors, appeals from decisions of district auditors, and the recovery of sums certified to be due by district auditors. [December 22nd, 1927.]

### DISQUALIFICATION OF PERSONS SURCHARGED MORE THAN £500.

1.—(1) Subject to the provisions of this Act, every person who, at any audit, has been surcharged with an amount exceeding £500 by a district auditor shall for a period of five years commencing at the expiration of the period allowed for making an appeal or application with respect to the surcharge under the provisions of this Act or, if such an appeal or application is made, commencing on the date on which such an appeal or application is finally disposed of or abandoned or fails by reason of the non-prosecution thereof, be disqualified for being elected or appointed or being a

member of any local authority, and if he is a member of a local authority his office shall thereupon become vacant:

Provided that this section shall not apply to a surcharge in respect of any expenditure or loss incurred before October 31st, 1927.

(2) Where more than one-third of the members of a local authority become disqualified at the same time by virtue of this Act, then until the number of the members in office is increased to not less than two-thirds of the full number of members of the local authority—

(a) The quorum of the local authority shall be determined by reference to the number of the members of the local authority remaining qualified instead of by reference to the full number of members of the local authority;

(b) No provision preventing a returning officer holding an election to fill a casual vacancy shall apply to any vacancy in the office of members of that local authority.

(3) If any person acts as a member of any local authority when disqualified under this section, he shall for each offence be liable on summary conviction to a fine not exceeding £20.

#### APPEALS AGAINST DECISIONS OF AUDITORS.

2.—(1) Any person who is aggrieved by a decision of a district auditor on any matter with respect to which he made representations at the audit, and any person aggrieved by a disallowance or surcharge of a district auditor may, where the disallowance or surcharge or other decision relates to an amount exceeding £500, appeal to the High Court, and may in any other case appeal either to the High Court or to the Minister of Health (hereinafter referred to as the "Minister") and the Court or Minister shall have power to confirm, vary or quash the decision of the auditor, and to remit the case to the auditor with such directions as the Court or Minister thinks fit for giving effect to the decision on appeal, and if the decision of the auditor is quashed, or is varied so as to reduce the amount of the surcharge to £500 or less, the appellant shall not be subject to the disqualification imposed by this Act.

Where an appeal is made to the Minister under this sub-section, he may at any stage of the proceedings, and shall, if so directed by the High Court, state in the form of a special case for the opinion of the Court any question of law arising in the course of the appeal, but save as aforesaid the decision of the Minister shall not be subject to appeal to any Court.

(2) In the case of a surcharge the person surcharged may, whether or not he appeals under the last preceding sub-section, apply to the tribunal (whether the High Court or the Minister) to which he appeals or, if he does not appeal, to the tribunal (whether the High Court or the Minister) to which he might have appealed, for a declaration that in relation to the subject matter of the surcharge he acted reasonably or in the belief that his action was authorised by law, and the Court or Minister, if satisfied that there is proper ground for doing so, may make a declaration to that effect, and where such a declaration is made the person surcharged, if by reason of the surcharge he is subject to the disqualification imposed by this Act, shall not be subject to that disqualification, and the Court or Minister may, if satisfied that the person surcharged ought fairly to be excused, relieve him either wholly or partly from personal liability in respect of the surcharge; the decision of the Court or Minister under this sub-section shall be final and shall not be subject to appeal.

(3) Provision may be made by Rules of Court for regulating appeals and applications to the High Court under this section,

and those Rules shall provide for limiting the time within which such appeals and applications may be made, and for securing that where an application is made public notice of the hearing shall be given, and for enabling any ratepayer or owner of property in the area of the authority to whose accounts the surcharge relates, to appear at the hearing and object.

(4) Where under this section an appeal or application is made to the Minister, the appellant or applicant shall be entitled, if he so desires, to a personal hearing by a person appointed for the purpose by the Minister.

(5) The provisions as to the payment of costs applicable to appeals under any enactment repealed by this Act shall apply to appeals and applications to the Court under this section.

(6) Where any proceedings in the High Court under sect. 35 of the Poor Law Amendment Act, 1844, or under that section as applied by any other enactment, for the removal into the High Court of any disallowance or surcharge were instituted before February 14th, 1927, and the surcharge in respect of which the proceedings were instituted has not been enforced at the passing of this Act, no proceedings for the enforcement thereof shall be taken.

#### RECOVERY OF SUMS CERTIFIED BY THE AUDITOR.

3.—(1) Notwithstanding anything contained in any enactment relating to audit by district auditors, any sum which is certified by a district auditor to be due shall be recoverable either summarily or otherwise as a civil debt, and in any proceedings for the recovery of such a sum any certificate purporting to be signed by a district auditor shall, unless the contrary is proved, be deemed to be a certificate signed by a district auditor, and a certificate signed by a district auditor shall be conclusive evidence of the facts certified, and a certificate purporting to be signed by the treasurer of the local authority concerned that the sum certified to be due has not been paid to him shall be sufficient evidence of non-payment, unless it is proved that the sum certified to be due has been paid to the treasurer subsequently to the date of the treasurer's certificate.

(2) The provisions as to the payment of costs applicable to the proceedings under the enactments repealed by this Act for the recovery of sums certified by a district auditor to be due shall apply to proceedings under this section.

#### SHORT TITLE, APPLICATION, REPEAL AND EXTENT.

4.—(1) This Act may be cited as the Audit (Local Authorities) Act, 1927.

(2) This Act shall not, save as provided by sub-sect. (6) of sect. 2 of this Act, apply to any accounts if and so far as they relate to expenditure or loss incurred before October 31st, 1927.

(3) In this Act, the expression "local authority" has the same meaning as in the Local Loans Act, 1875, and includes any committee of a local authority, and a joint committee of, or a joint board representative of, two or more local authorities.

(4) The enactments mentioned in the Schedule to this Act to the extent specified in the third column of that Schedule are hereby repealed:

Provided that nothing in this repeal shall affect the enactments repealed in their application to any accounts if and so far as they relate to expenditure or loss incurred before October 31st, 1927.

(5) This Act shall not extend to Scotland or Northern Ireland.



**SCHEDULE.**  
**Enactments Repealed.**

Session and Chapter.	Short Title.	Extent of Repeal.
38 & 39 Vict., c. 55.	The Public Health Act, 1875.	In sect. 247, paragraph (8).
17 & 18 Geo. V., c. 14.	The Poor Law Act, 1927.	Sub-sects. (2) and (3) of sect. 154 and sect. 155 except so far as they relate to the payment of costs. Sub-sects. (1), (2) and (3) of sect. 157. Sub-sect. (3) of sect. 160.

**Institute of Municipal Treasurers and Accountants**  
(INCORPORATED.)

**LONDON STUDENTS' SOCIETY.**

The London Students' Society of this Institute celebrated its 25th Anniversary by a supper at Pinoli's Restaurant on Thursday, January 26th, when the chair was occupied by the President, Mr. E. J. Johnson, Borough Treasurer of West Ham. Among those present were:—Mr. C. D. Johnson, Comptroller of the London County Council; Mr. Arthur Collins, F.S.A.A.; Mr. Montague H. Cox, Clerk to the London County Council; Mr. W. Maxfield Mead; Mr. F. W. Rattenbury, F.S.A.A., County Accountant of Middlesex; Mr. A. A. Garrett, B.A., B.Sc., Secretary, Society of Incorporated Accountants; Mr. O. H. S. Sleightholme, A.S.A.A., City Treasurer of Norwich; Mr. C. Garratt Holden; Mr. R. W. E. Bunn, F.S.A.A., Borough Accountant, Cambridge; Mr. E. H. Cage, Borough Treasurer, Woolwich, and Mr. L. S. P. Walpole, Deputy Borough Treasurer, Bethnal Green, Hon. Secretary.

After the loyal toast, the toast of "The Institute of Municipal Treasurers and Accountants (Incorporated)" was proposed by Mr. F. W. Rattenbury, to which a response was made by Mr. C. D. Johnson, ex-President of the Institute. In the course of his reply, Mr. Johnson referred to the great progress which had been made by the accountancy profession, as exemplified by the extension of the influence of the bodies of Chartered Accountants, the Society of Incorporated Accountants and the Institute of Municipal Treasurers and Accountants in their respective spheres.

The toast of the "London Students' Society" was proposed by Mr. Arthur Collins, who made a number of personal references to those who had founded and carried on the London Students' Society. He congratulated them upon their 25th birthday and their membership, which numbered over 1,000, comprising a central organisation in London, with sub-sections in East Anglia, Kent and Hampshire. In concluding his speech, Mr. Collins presented, on behalf of the members of the Society, an inscribed resolution of thanks to Mr. E. J. Johnson, who had been the President of the Society for a period of three years and was about to retire from that office, in which he would be succeeded by Mr. F. W. Rattenbury. Mr. Collins said it gave him much pleasure to make the presentation, both by reason of his long association with Mr. Johnson in the work of the Institute of Municipal Treasurers, and particularly as a testimony of Mr. Johnson's services to the London students.

Mr. E. J. Johnson, who was cordially received, expressed his sincere thanks for the kind felicitations of Mr. Collins and for the presentation. He said it would always afford him pleasure to render what service he could to them. He believed that their educational work had contributed substantially to the influence of their parent body. The activities of their Institute had been successfully directed to the financial service of municipal authorities, and to the maintenance of a high standard of qualification among those who as chief financial officers and members of their staffs administered that important branch of Local Government. He was glad they had with them on that occasion a number of visitors, and he extended a welcome to Mr. Montague H. Cox, Clerk to the London County Council, who was their first lecturer in legal subjects; Mr. A. A. Garrett, Secretary of the Society of Incorporated Accountants and Auditors, with whom they had most friendly relations; Mr. J. H. McCall, Borough Treasurer of Croydon, and Mr. E. W. Bailey, Borough Treasurer of Bethnal Green, who were among those who had founded the Society.

The toast of "The Visitors" was proposed by Mr. C. A. J. Hunter, A.S.A.A., of West Ham, a reply to which was given by Mr. Montague H. Cox.

**Scottish Notes.**

(FROM OUR CORRESPONDENT.)

**Meeting of Scottish Council.**

A meeting of the Council of the Scottish Branch was held in Glasgow on 27th ult., Mr. D. Hill Jack, J.P., President of the Branch, in the chair. There were also present: Mr. John Bell, Mr. R. T. Dunlop, Mr. W. Davidson Hall, Mr. John A. Gough, Mr. William Houston, Mr. P. G. S. Ritchie, Mr. J. Craddock Walker and Mr. E. Hall Wight (Glasgow), Mr. W. L. Pattullo (Dundee), Mr. D. R. Matheson, M.A., LL.B., and Mr. J. Stewart Seggie, C.A. (Edinburgh), Mr. Archd. Macintyre, J.P. (Hamilton), Mr. Jas. T. Morrison (Coatbridge), Mr. E. Mortimer Brodie (Port Glasgow) and Mr. James Paterson, Secretary of the Branch. Apologies for absence were intimated from Mr. A. Scott Finnie (Aberdeen), Mr. D. M. Muir (Dunfermline), and Mr. Walter MacGregor (Edinburgh). A number of applications for membership were considered and remitted to the Examination Committee or otherwise disposed of. Reports as to the general work of the Society and of various Scottish matters were submitted and dealt with.

**Glasgow Students' Society.**

A meeting of the Glasgow Incorporated Accountants' Students' Society was held on 11th ult., when a general discussion took place on "Examination Questions." Mr. D. R. Matheson, M.A., LL.B. (Edinburgh), occupied the chair. Taking as his subject the Questions set at the Society's Examinations in November last, Mr. Matheson went over the various questions *seriatim*, explaining the points involved in each question and the probable answer. In the course of the discussion which ensued on several of the questions, Mr. Alfred Palmer, A.S.A.A., Mr. James Paterson (Secretary of the Branch) and others took part.

**Scottish Joint Stock Banks.**

The statistics of the Scottish banks for 1927 have been published and show that business in Scotland has been well maintained as a whole and give evidence of a satisfactory position. Noteworthy features are the increase in banking advances and the reduction in investment holdings, reflecting a continued development of the banking rather than the investment side of the Scottish bank activities. A comparison of the figures 1925-26 displays tendencies indicative of the

continued assistance given to trade. In view of the extensive building operations of the banks, premises and property in the aggregate stand at under £5,000,000, and are actually down £23,000. The net profit of the banks amounts to £2,442,978, an increase of £9,404 over 1926.

### Scottish Companies.

The figures relating to the registration of joint-stock companies in Scotland in 1927 are now available. They indicate the importance of businesses having large resources. As the success of amalgamations and large companies and the difficulties experienced by small concerns are a feature of trade to-day, it is only a sign of the times that although 36 fewer companies were promoted in 1927 than in 1926 the capital involved increased by £1,859,567. The total number of companies registered this year—449—is the smallest since 1921, but the aggregate nominal capital, £12,621,467, is, with the exception of 1924, the largest since the "boom" years of 1919 and 1920. A feature of the year is the popularity of the financial investment company. Only three unlimited companies were registered during the year, while limited partnerships number only two. An important registration was the United Free Church Trust, a company limited by guarantee and without share capital, to assist the United Free Church of Scotland to carry on religious, charitable and social work.

### Scottish Cities' Thrift.

The reports of the Scottish Savings Banks for the year ended 20th November, 1927, have been published. It is a matter of satisfaction to find that year by year more money is being saved and that more people are saving. The growth of saving by persons of slender means is particularly gratifying. In Edinburgh the number of transactions was larger than the previous year by about 83,000, and the increase in turnover was about £600,000. The total amount due to depositors, including their holdings in Government Stocks, had increased during the year by £491,987, and, after making provision for all liability to depositors, there was a surplus of £282,922. Deposits under £5 accounted for 70 per cent. of the transactions. In Glasgow the total funds, exclusive of property, amounted to £22,688,953, representing an increase for the year of £537,387, while the liabilities due to depositors in the various departments amount to £21,990,365, leaving a cash surplus of assets of £698,587. Over 50,000 new accounts were opened during the year, and the deposits of sums of £1 and under represented 43 per cent. of the total deposit transactions over the year. In Aberdeen the number of transactions for the year showed an increase of 28,040. In the Ordinary department, owing to the transfer of sums to the Investment department, there was a decrease of £42,470 7s. 2d. On the other hand the Special Investment department showed an increase of £124,345 18s. 7d., while the investments in Government Stocks by depositors through the bank showed an increase of £143,364 10s. Most of the smaller banks show substantial increases, and this, in a time of more or less difficult trade conditions, surely indicates that the systematic thrift for which the Scottish people have been credited, is still characteristic of that country.

## Notes on Legal Cases.

### REVENUE.

#### Monks v. Fox's Executors.

##### *Surrender of Victory Bonds.*

Where Victory Bonds are surrendered in payment of estate duty and the accrued but still unpaid interest is taken into account in the valuation of the bonds, the interest is not subject to income tax.

(K.B.; (1927) 44 T.L.R., 115.)

#### General Medical Council v. Commissioners of Inland Revenue.

##### *Income Tax.*

The General Medical Council is not a body established for charitable purposes only, and therefore is not entitled, under sect. 37 of the Income Tax Act, 1918, to exemption from income tax on the income from its funds.

(K.B.; (1927) 41 T.L.R., 117.)

#### Jones v. Wright.

##### *Profits and Earnings of Solicitor-Trustee.*

Case II of Schedule D of the Income Tax Act, 1918, provides that income tax "shall extend to every employment by retainer in any character whatever, whether such retainer shall be annual or for a longer or shorter period, and to all profits and earnings of whatever value arising from employments, and shall be computed on the full amount of the balance of the profits, gains, and emoluments of the professions, employments or vocations upon a fair and just average of three years." A solicitor-trustee was empowered by clauses in the instruments creating the trusts to charge for work done by him in connection with the trusts. By agreement between himself, his co-trustees, and the beneficiaries his remuneration was calculated as a percentage of the annual income of the trust funds, which income had already been brought into charge to tax.

It was held that this remuneration was chargeable to income tax on the solicitor under Schedule D, Case II, as his profits or earnings arising from an employment, and was not constituted of annual payments payable wholly out of profits or gains brought into charge to tax within Rule 19 of the General Rules applicable to All Schedules of the Act of 1918.

(K.B.; (1927) 44 T.L.R., 128.)

#### Attorney-General v. Metropolitan Water Board.

##### *Deduction of Income Tax.*

The Court of Appeal dismissed the appeal from a decision of Rowlatt (J.) (see *Incorporated Accountants' Journal*, September, 1927, page 453), and held that where income tax is deducted at the source the amount deducted must be paid over to the Crown unless the payment comes out of income which has already paid duty.

(C.A.; (1927) L.J.N., 492.)

#### Green v. Gliksten & Son.

##### *Income Tax and Replacement Value.*

Rowlatt (J.) held that where goods insured are destroyed by fire the insurance money received in respect thereof is to be brought into account for taxation purposes as if the goods had been sold at that price.

(K.B.; (1927) L.J.N., 494.)

#### Inland Revenue Commissioners v. Hawley.

##### *Income Tax and Accumulated Interest.*

Rowlatt (J.) held that where shares are bequeathed to an individual under a will, and, with the dividends paid thereon, are withheld for a period by the executors, but the accumulated dividends are alternatively paid over, they are taxable income in respect of the year in which they were declared and paid.

(K.B.; (1927) L.J.N., 495.)

#### Attorney-General v. Still and Another.

##### *Betting Duty.*

By sect. 17 (3) of the Finance Act, 1926, "any Court before which a bookmaker is convicted of any offence under this part of this Act or otherwise in connection with his business as a bookmaker, may order him to be disqualified for holding a bookmaker's certificate for such period as the Court may think fit."

It was held that a judgment for penalties on an information by the Attorney-General in the High Court under sect. 17 (1) for failure to make returns of bets is a "conviction" within the meaning of sect. 17 (3).

(K.B.; (1927) 44 T.L.R., 102.)